

# **Comparing and Evaluating Poverty Reduction Approaches: USAID and The Evolving Poverty Reduction Paradigm**

**Assessment prepared for USAID/PPC/CDIE/POA**

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# **Comparing and Evaluating Poverty Reduction Approaches: USAID and The Evolving Poverty Reduction Paradigm**

## **STUDY OBJECTIVES<sup>1</sup>**

USAID's Program and Policy Coordination Bureau has charged Management Sciences International and its subcontractor, Associates for International Resources and Development, with the preparation of an assessment of the approaches and country conditions that support effective poverty reduction efforts. The contractor is asked to assess the advantages and disadvantages of a poverty-centered assistance program, testing the hypothesis that "an explicit focus on reduction is an effective way for USAID to have a major impact on poverty alleviation." The Scope of Work states, "The study will examine USAID and other donor programs that had a specific poverty focus, to see how they differ from regular USAID development programs, and the specific elements of a poverty reduction paradigm that have a significant impact on reducing poverty."

The SOW is structured in two phases. Phase One consists of the construction of a framework for understanding the current state of thinking on poverty reduction approaches and a desk review of the poverty reduction experiences of eight developing countries, compared with this framework. The framework is developed through observation, categorization, and comparison, without making any judgements about the effectiveness of one approach over the other. This paper thus offers a comparison of two approaches to poverty reduction, showing their differences and areas of overlap, sets out the major conclusions of the analysis, and offers suggestions as to what still remains to be done.

In order to cast light on the likely effectiveness of the EPRP approach to reducing poverty in comparison with USAID's approach, a sample of eight countries was chosen on the basis of the availability of information and the lessons that could be learned from each. These countries comprise three in Latin America (Bolivia, Costa Rica, Peru), two in Asia (Bangladesh, Indonesia), two in sub-Saharan Africa (Mali, Uganda), and one in North Africa (Morocco). Each country was the subject of a brief desk study, based entirely on a rapid survey of secondary literature, for the purpose of seeing how useful such an exercise would be if pursued with more resources. Details of these case studies are contained in a companion paper (Salinger and Stryker 2001).

Attribution of country experience to one conceptual approach or another is obviously a stretch, given that most countries have not had a long experience with formal poverty reduction strategies and that their experiences are due to a complex combination of local, regional, and international events, as well as diverse donor programs.

During a second phase, the implementation record of USAID mission programs will be examined, in light of USAID strategic approach of sustainable development, evolving partner

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<sup>1</sup> See Statement of Work, Evaluation Services IQC subcontract no. AEP-I-00-00-00024-00 between Management Systems International and AIRD, October 24, 2000.

country and international priorities with respect to poverty reduction, and the mission's interactions with other in-country donors. Information garnered from these field visits will allow the authors to complete their assessment with respect to the effectiveness of poverty reduction program implementation. The contractor will use results reports to prepare country poverty briefs to analyze USAID's approach in four countries, develop a conceptual framework for field analysis, review USAID's implementation via field case studies, and synthesize findings.

## **SUMMARY OF PRINCIPAL FINDINGS**

Reducing poverty is increasingly understood today as involving complex interactions among a wide range of political, social, and economic events. This understanding has led to the articulation of multidisciplinary strategic approaches for effecting poverty reduction. Sustainable development has been the cornerstone of USAID's approach since the mid-1990s. Another paradigm is evolving within and among national and multilateral donor agencies in response to a set of explicit, quantifiable, and time-bound International Development Goals. These goals had their origin in the agreements and resolutions of the world conferences organized by the United Nations in the first half of the 1990s. They were formally adopted in 1996 by the development ministers of the Organization for Economic Cooperation and Development, and were confirmed by the United Nations Millennium Declaration signed on September 8, 2000.

This paper examines a range of poverty reduction approaches associated with USAID's Strategic Plan for sustainable development (SD) and with the evolving poverty reduction paradigm (EPRP), as articulated by the International Fund for Agricultural Development, Organization for Economic Cooperation and Development's Development Assistance Committee, Oxfam International, United Nations Development Program, UNICEF, the World Bank, and the United Kingdom's Department for International Development. In a separate paper, we evaluate the effectiveness of these approaches in reducing poverty in a sample of eight developing countries.

This conceptual assessment is based on information gleaned from a number of different sources. The expression of the sustainable development framework first appeared in USAID in its 1994 *Strategies for Sustainable Development* and is best revealed in the agency's Strategic Plan, published in 1997 and amended in 2000. We also refer to some of the conceptual background underlying the SD approach. Because not all development agencies are guided by strategic frameworks directly comparable to the USAID Strategic Plan, we also consider a range of institutional annual reports and key writings produced by opinion-makers of these institutions.

A few caveats are in order. This assessment admittedly compares USAID's clear strategic vision with a more recent, and still evolving, body of thought from a wide range of bilateral and multilateral agencies and organizations. Moreover, there is a somewhat unfinished nature to the EPRP discussion. While poverty reduction has been articulated as one of several overarching development goals of the international community, there is not yet global consensus on the most effective strategy for its implementation. The analysis presented here thus admittedly takes on a somewhat asymmetrical air. It also perhaps accentuates differences between the two, even though in some instances overlap of approaches may also be strong. However, at a time when the poverty reduction paradigm is being adopted as an overarching goal by increasing numbers of

institutions on the global stage, a better understanding of the areas of difference – and overlap – will aid U.S. development program and policy coordinators in two ways. First, such improved understanding contributes to consideration of whether, how, and to what extent the current USAID strategy might be revisited in order to most efficiently and effectively reduce poverty. Second, it also helps U.S. policy makers who are participating in the international debate to more fully advocate on behalf of U.S. government strategic positions.

Twelve specific points of comparison between SD and EPRP are summarized in Box 1:

### Box 1: Comparison between Sustainable Development and Evolving Poverty Reduction Paradigm

Points of Comparison	USAID's Sustainable Development (SD) Approach	Evolving Poverty Reduction Paradigm (EPRP)
1. Importance of economic growth	Broad-based economic growth is essential, in both the short and long run. SD supports "Washington Consensus" economic policies of fiscal discipline, redirection of government expenditure to health and education, tax reform, trade liberalization, privatization, FDI, etc. Less explicit concern with inequality.	Most proponents stress fundamental importance of economic growth. More attention paid to consequences of economic policies on income distribution. Some argue that growth is important in the long run, but can be deferred in the short run in favor of basic health and education (UNDP, UNICEF).
2. Central priority of poverty reduction	Justification of USAID approach in Strategic Plan emphasizes U.S. national interests. Poverty reduction is seen as an SD outcome, not an overarching goal. Only two out of 23 SD objectives under USAID's 7 goal areas relate directly to poverty reduction. SD embraces a country-wide approach.	Poverty reduction and decreased income inequality are overarching goals, justified in terms of ethical and moral imperatives, but also a means of improving the quality of economic growth. EPRP specifically targets the poor.
3. Definition and measurement	USAID's six strategic goals are closely linked to measurable indicators, many of which, but not all, are good poverty reduction indicators. However, no indication of how these individual goals are linked to one or several overarching goals.	With poverty reduction as the overarching goal, it is easier to define and measure progress towards achieving that goal.
4. Increased openness to trade, capital, and information flows	USAID is firmly in favor of openness. Strategic Plan lists trade, foreign direct investment, and economic freedom as important indicators of successful performance. No acknowledgement in Strategic Plan of risks and increased vulnerability attached to greater openness.	Openness to trade, capital, and information flows is welcome among most proponents, but with varying degrees of reservation about increased vulnerability and inequality which may ensue. Opinions range from Oxfam/NGOs ("openness is a threat") to WB/IMF ("openness is an opportunity").
5. Poverty reduction and the role of government	Acknowledges the need for increased accountability, improved transparency, greater democracy, and enhanced governance on the part of government.	EPRP goes further to acknowledge national and local government as important instruments for poverty reduction, and explicitly recognizes value of public services to poor people.
6. Vulnerability of the poor	Disaster assistance in USAID's Strategic Plan is essentially reactive, short-term humanitarian assistance in response to crises. New attention being paid to conflict prevention, including development of early warning systems.	EPRP goes further and recognizes need to establish effective, long-term safety nets to lessen the poor's vulnerability to disaster, economic downturn, or incapacitation of the bread-winner.
7. Priority assigned to agricultural development	One of USAID's strategic objectives explicitly highlights need to encourage more rapid and enhanced agricultural development and food security.	Priority accorded to agriculture and rural development varies across donor agencies, being highest at IFAD and some NGOs and low in the World Bank, OECD/DAC, UNICEF, and UNDP, except for focus on rural market infrastructure and reduced isolation of rural poor.
8. Empowerment of the poor	USAID Strategic Plan encourages rule of law, respect for human rights, credible and competitive political processes, politically active civil society, and accountable government institutions. Less relative emphasis on direct empowerment of the poor.	EPRP supports strengthening the participation of poor people in political processes and local decision-making that affect their daily lives, and removing social and institutional barriers that result from distinctions of gender, ethnicity, and social status.

9. Health and education	USAID supports expansion of basic education, especially for girls and women, and higher education institutions. Health objectives emphasize reproductive health services and reduction of HIV transmission.	EPRP emphasizes importance of increasing the poor's access to government services in basic health and education ("human development"); according to some (UNDP, UNICEF), this should be a priority no matter what the level of income or rate of economic growth.
10. Environmental sustainability	USAID's environmental sustainability framework emphasizes global environment, bio-diversity, and sustainable urbanization, energy use, and local resource management. .	EPRP recognizes that environmental concerns must be woven into sustainable livelihood strategies for the poor. Degree of emphasis on environmental sustainability varies greatly among donors subscribing to EPRP.
11. Direct versus indirect approaches to poverty reduction	USAID's Strategic Plan emphasizes economic growth and other indirect approaches at the country level to establish the economic, social, and political environment for poverty reduction.	Because of concern that economic growth and other indirect approaches may not reach the poor, emphasis of EPRP has shifted towards direct interventions. These are relatively well targeted but may not be very effective in reaching large numbers of the poor.
12. Policy coherence	USAID Management Goal recognizes importance of strengthened collaboration with partners and more compatibility with other donor programs.	EPRP goes further to recognize that poverty reduction focus of donor activities can be seriously undercut by other donor policies (e.g., import restrictions) and international agreements (e.g., WTO accords) in many areas outside of development assistance.

The analysis presented here is based on the conceptual underpinnings and strategic documents that serve as the foundation of each approach. The discussion does not explore at any length how either approach has in practice been implemented by bilateral or multilateral donors, at headquarters or in the field. This task is left for a subsequent phase of the research. There has been some application of the comparisons to eight case-study countries in the companion paper (Salinger and Stryker 2001), but all of this is based on secondary data plus, in some cases, the first-hand experience of the analysts in the countries concerned. Furthermore, the analysis applies to the experiences of the developing countries themselves and not to donor operations in those countries. Yet the SD and EPRP approaches are designed for both donors and their partners. The conclusions of this assessment, therefore, need to be tested in the field.

During the next phase of the research, a conceptual framework will be developed for undertaking four case studies, based on field visits. These case studies will examine the strategic approaches to poverty reduction adopted by the USAID country mission in the context of the partner country's own development program and USAID's coordination in-country with other donor programs. Countries will be chosen in which there is a strong commitment to poverty reduction that is consistent with the EPRP approach. The selected USAID missions will be ones which accept the goal of poverty reduction, though they will pursue this goal using the SD approach based on the mission's approved Strategic Plan. The study will examine the two approaches from the perspective of both conception and implementation. It will evaluate which elements of SD or EPRP appear to be most effective in reducing poverty, using the twelve points of comparison as a framework.

## INTRODUCTION

The world is different at the beginning of the 21<sup>st</sup> century than it was forty years ago when many developed countries first became independent and foreign assistance programs were just being initiated. To be poor is no longer defined simply as to be lacking in income or consumption. Poverty today is increasingly defined as a state wherein the full range of one's capabilities, freedoms, and rights is denied. Alleviating poverty is no longer thought of as a smooth "take-off" process, but rather is understood as involving complex interactions among a wide range of political, social, and economic events.

This understanding has led to the articulation of multidisciplinary strategic approaches for effecting poverty reduction. Broad-based sustainable development has been the cornerstone of USAID's approach since the mid-1990s. Another poverty reduction paradigm is evolving within and among national and multilateral donor agencies in response to a set of explicit, quantifiable, and time-bound International Development Goals. These goals had their origin in the agreements and resolutions of the world conferences organized by the United Nations in the first half of the 1990s. They were formally adopted in 1996 by the development ministers of the Organization for Economic Cooperation and Development (OECD/DAC 1996). The seven International Development Goals (IDGs), to be achieved by 2015 or earlier, include (UN/OECD/IMF/World Bank 2000):

- reducing the proportion of people living in extreme poverty by one-half;
- universal primary education;
- eliminating gender disparity in primary and secondary education;
- reducing infant and child mortality by two-thirds;
- reducing maternal mortality by three-quarters
- universal access to reproductive health services;
- implementing national strategies for sustainable development so as to reverse the loss of environmental resources.

An additional goal was agreed to at the World Food Summit in 1996: halving the number of undernourished people by 2015.<sup>2</sup> These goals were confirmed by the United Nations Millennium Declaration signed on September 8, 2000 (United Nations 2000). The formulation presented in Box 2, presented in the *DAC Guidelines on Poverty Reduction*, is still subject to approval by the 2001 U.N. General Assembly as part of its consideration of annual reporting on the Millennium Declaration.<sup>3</sup>

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<sup>2</sup> The 1996 World Food Summit goal was established after the other goals had been agreed to by the OECD, but it has never formally been added to the original seven IDGs.

<sup>3</sup>. Source: *DAC Guidelines* (OECD/DAC 2001).



## Box 2: Millennium Development Goals

Goal	Specific Targets
Goal 1: Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> <li>▪ <b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day</li> <li>▪ <b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger</li> </ul>
Goal 2: Achieve universal primary education	<ul style="list-style-type: none"> <li>▪ <b>Target 3:</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</li> </ul>
Goal 3: Promote gender equality and empower women	<ul style="list-style-type: none"> <li>▪ <b>Target 4:</b> Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015</li> </ul>
Goal 4: Reduce child mortality	<ul style="list-style-type: none"> <li>▪ <b>Target 5:</b> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate</li> </ul>
Goal 5: Improve maternal health	<ul style="list-style-type: none"> <li>▪ <b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio</li> </ul>
Goal 6: Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> <li>▪ <b>Target 7:</b> Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</li> <li>▪ <b>Target 8:</b> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</li> </ul>
Goal 7: Ensure environmental sustainability	<ul style="list-style-type: none"> <li>▪ <b>Target 9:</b> Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</li> <li>▪ <b>Target 10:</b> Halve, between 1990 and 2015, the proportion of people without sustainable access to safe drinking water</li> <li>▪ <b>Target 11:</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.</li> </ul>
Goal 8: Develop a Global Partnership for Development	<ul style="list-style-type: none"> <li>▪ <b>Target 12:</b> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system, including a sustainable reduction in debt</li> <li>▪ <b>Target 13:</b> Address the special needs of the Least Developed Countries (LDCs), youth employment, landlocked countries, and small islands.</li> </ul>

Source: <http://www.un.org/millennium/declaration/ares552e.htm>; organized into 8 goals and accompanying targets in the DAC Guidelines (OECD/DAC 2001b, p. 12)

This paper examines a range of poverty reduction approaches associated with USAID's Strategic Plan for sustainable development (SD) and with the evolving poverty reduction paradigm (EPRP). This paper offers a comparison of these two approaches to poverty reduction, showing their differences and areas of overlap, sets out the major conclusions of the analysis, and offers

suggestions as to what still remains to be done. A companion paper presents the desk review of eight developing country experiences in light of these approaches (Salinger and Stryker 2001).

Sustainable development was initially articulated in the World Bank's 1990 World Development Report, then appeared in USAID's 1994 document *Strategies for Sustainable Development*, was developed further by Weaver, Rock, and Kusterer (1997), and adopted by USAID in its Strategic Plan, first published in 1997 and amended in 2000. EPRP is emerging on many fronts. We examine the positions or approaches articulated by the International Fund for Agricultural Development, Organization for Economic Cooperation and Development's Development Assistance Committee, Oxfam International, United Nations Development Program, UNICEF, the World Bank, and the United Kingdom's Department for International Development. Because not all development agencies are guided by strategic frameworks directly comparable to the USAID Strategic Plan, we also consider a range of institutional annual reports and key writings produced by opinion-makers of these institutions.

The analysis presented here of differences between a tightly conceived strategy paper (USAID) and a still evolving set of approaches (EPRP) thus admittedly takes on a somewhat asymmetrical air. It also perhaps accentuates differences between the two, even though the overlap of approaches may also be strong. As noted by Rodrik, "[e]xperience has shown ... that growth and poverty reduction go largely hand in hand. ... The policies that promote growth are probably not that different from those that target the poor directly." (Rodrik 2000, pp. 1, 4)

At a time when the poverty reduction paradigm is being adopted as an overarching goal by increasing numbers of institutions on the global stage, a better understanding of the areas of difference – and overlap – can aid U.S. development program and policy coordinators in two ways. First, it contributes to consideration of whether and how the current USAID strategy might be revisited in order to most efficiently and effectively reduce poverty. Second, it also helps U.S. policy makers participating in the international debate to more fully advocate on behalf of U.S. government strategic positions.

## **TWO APPROACHES TO POVERTY REDUCTION**

This section provides a brief summary of the SD and EPRP approaches. From the outset, a few caveats are in order. This assessment compares USAID's clear strategic plan with a more recent, and still evolving, body of thought from a wide range of bilateral and multilateral agencies and organizations. Moreover, there is a somewhat unfinished nature to the EPRP discussion. While poverty reduction has been articulated as one of several overarching development goals of the international community, there is not yet global consensus on the most effective strategy for its implementation.

Of course, conceptual thinking about development evolves over time. As events unfold and better data are gathered, our technical understanding of the development process changes. The political and strategic interests of the nations and international communities emitting new strategic visions also evolves. Each decade has brought its own vision of development priorities, from Economic Growth and Industrialization in the 1960s, to Basic Human Needs in the 1970s, Stabilization, Structural Adjustment, and Policy Reform in the 1980s, and Broad-Based Sustainable Development in the 1990s.

The World Bank's 1990 World Development Report delivered a global wake-up call to the development community. Despite the achievement of enormous economic progress around the world, donors recognized that over 1 billion people still subsisted on \$1 per day. The 1990 World Development Report (WDR) pushed the need to emphasize labor-intensive, export-oriented growth strategies, development of human capital through the provision of basic social services, and the creation of social safety nets to protect the poorest and those caught in crises and transition. The Asian financial crisis in 1997 was another wake-up call as new vulnerabilities were recognized, even amongst previously growing economies that had succeeded in reducing poverty. In addition, continued stagnation and lack of progress in reducing poverty in many parts of Latin America and sub-Saharan Africa have left observers struggling to articulate a more focused approach. While a "broad based consensus on economic policy for growth, equity and poverty reduction" emerged during the 1990s, hopes for its realization were dashed by the end of the decade, victim to sharp disagreements about the effects of globalization (Kanbur 2001).

### ***Sustainable Development***

Sustainable development (SD) emerged over a decade ago in response to growing unease with heavy emphasis in the 1980s on economic growth and policy reform. The World Bank's *World Development Report 1990* laid the groundwork for this approach, emphasizing labor-intensive economic growth, basic social services, and well targeted transfers and safety nets (World Bank 1990, p. 3). The 1990 report examined performances of three East Asian countries that were successful in reducing poverty – Indonesia, Malaysia, and Thailand – and credited "an appropriate balance between policies that spur growth [relatively labor-intensive, with agriculture to the fore] and policies that enable the poor to participate in growth ... [and] provided for adequate social spending" (World Bank 1990, p. 51). The report also raised concerns that "[i]n other countries the creation of opportunities for the poor and the development of their capacity to respond have not always been as well balanced," citing Brazil and Pakistan as examples of countries where high rates of economic growth were not accompanied by improvements in social indicators (World Bank 1990, p. 51). The analysis concludes that "the countries that have been the most successful in attacking poverty have encouraged a pattern of growth that makes efficient use of labor and have invested in the human capital of the poor" (World Bank 1990, p. 51). In 1991, the Bank observed that "[a]ny notion of strictly economic progress must, at a minimum, look beyond growth in per capita incomes to the reduction of poverty and greater equity, to progress in education, health, and nutrition, and to the protection of the environment." (World Bank 1991, p. 4)

Building on this groundwork, USAID launched its *Strategies for Sustainable Development*, which emphasized programs in four fundamental areas – population and health, broad-based economic growth, environment, and democracy – as well as continued humanitarian assistance and disaster relief work (USAID 1994).<sup>4</sup> The 1994 strategy stated clearly that "poverty on this scale [affecting a quarter of the world's people] is a global problem that makes other global

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<sup>4</sup> Weaver, Rock, and Kusterer (1997, p. 1) crystallized the broad-based SD approach by observing, "As efficient as the market economy is in generating growth, it leaves many people out." They emphasized that, in addition to economic growth, the equitable distribution of its benefits, respect for human rights, good governance, and environmental sustainability must also be the pillars of SD. Their book grew out of a development studies course offered during the early 1990s to senior USAID officials.

problems worse” and committed its broad-based economic growth strategy to its reduction (USAID 1994, p. 29).

USAID’s 1997 Strategic Plan expanded on the 1994 strategies and highlighted seven broad goals:

- Encourage broad-based economic growth and agricultural development.
- Strengthen democracy and good governance.
- Build human capacity through education and training.
- Stabilize world population and protect human health.
- Protect the world’s environment for long-run stability.
- Save lives, reduce suffering associated with natural or man-made disasters, and reestablish conditions necessary for political and/or economic development.
- Maintain USAID’s place as a premier bilateral development agency.

In 2000, the 1997 Plan was amended. In addition to the original elements of its SD approach, it includes emphasis of cross-cutting themes such as gender, institutional and organizational development, civil society development, crisis management, and information technology. USAID’s strategic framework for achieving SD is detailed in Annex B of this report. It summarizes the Agency’s strategic goals, objectives, program approaches, and performance goals.<sup>5</sup>

It is difficult to find an “overarching theme” within this framework. The preamble to the Strategic Plan states that:

Promoting sustainable development in developing and transitional countries contributes to U.S. national interests and is a necessary and critical component of America’s role as a world leader. It helps reduce the threat of crisis, and create the conditions for economic growth *and poverty reduction*, the expansion of democracy and social justice, and a protected environment. Under these conditions, citizens in developing and transitional countries can focus on their own social and economic progress, which creates demand for U.S. goods and services and expands cooperative relationships between the U.S. and assisted countries....USAID expects its activities to encourage stability rather than crisis, to help to convert poverty to prosperity, and to assist in opening closed economies and societies. (USAID 2000, p.1; *italics note text added in the 2000 amendment*)

USAID’s mission is defined as:

USAID contributes to U.S. national interests by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and the world. (USAID 2000, p. 1)

In these statements, poverty reduction is a desired outcome of sustainable development, which contributes to U.S. national interests. The latter are defined in the U.S. strategic plan for international affairs agencies (U.S. Department of State 1999). Broad-based growth is seen as in the national interest because it furthers regional stability and complements the advance of

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<sup>5</sup> The last are progress indicators.

democracy and the rule of law. Sustainable development is also in the national interest because it “...ameliorates global problems such as high population growth, the spread of infectious diseases, and environmental degradation” (U.S. Department of State 1999, p. 21). There is no mention in the International Affairs Mission Statement of reduction of global poverty as an important end in itself.

In USAID’s terminology, “broad-based” refers to widespread and equitable increases in income, employment, and output, leading to “...reduced poverty, increased food security and higher standards of living including better health and education” (USAID 2000, p. 7). “Sustainable development” means not only managing the environment sustainably but also a broader notion of economic, social, political, and institutional sustainability. “Sustainable development leads to a lasting increase in the capacity of a society to improve the quality of life of its people.” (USAID 2000, p.1) As interpreted by the former USAID Administrator, “our strategy ... will promote development that is sustainable – that is, achievements that permanently enhance the capacities of the nations we assist, that will not crumble when donors direct their resources elsewhere” (Atwood 1994a, p. 2).

Poverty reduction is clearly included within the SD strategic framework, but the framework is much broader than this specific goal. In fact, Strategic Objective 1.3, which calls for USAID to expand and make more equitable access to economic opportunities for the rural and urban poor, is the only objective that explicitly targets the poor (Annex B). A second, Strategic Objective 3.1, more implicitly targets the poor in its call for the expansion of access to quality basic education for under-served populations, especially for girls and women. The sustainable development approach emphasizes a broader target, which is the improvement of country conditions and institutions that will allow poverty reduction to take place.

Different regional bureaus and country missions within USAID deal with poverty reduction in different ways. In part, this reflects variations in regional/country circumstances, which suggests that different “weights” attached to the strategic goals would be appropriate in order to be more effective at reducing poverty and improving well-being. For example, in countries that are on average very poor, poverty tends to be widespread, public budgets are severely constrained, and the institutions required for economic development are very weak. By focussing on broad-based economic growth and agricultural development, USAID can do a great deal to reduce poverty without having to target the poor explicitly (Crosswell 2000). This approach is likely to be applicable to sub-Saharan Africa (SSA) and a few low-income countries in Asia (e.g., Myanmar, Cambodia). However, it might be questioned for the economies of South Asia and a few other Asian countries such as Indonesia. Here the distribution of land and other assets, women’s education and place in society, religious and social discrimination, and political empowerment play a more important role in the determination of who is poor, requiring a different mix of strategies (Stryker and Metzger 1998, p. 8). In Latin America, poverty is more concentrated, suggesting that interventions there must be carefully targeted to reach the poor (Plunkett and Salinger 1998, p. 23).

### ***The Evolving Poverty Reduction Paradigm***

A decade of experience with sustainable development has brought many in the international development community to the conclusion that poverty reduction must be targeted more specifically. While poverty has been reduced in some parts of the world, most notably in East

Asia, the poor's numbers have been rising in Latin America, South Asia, sub-Saharan Africa, and the transition countries. This has led to a growing conviction that "special effort is required to ensure poor countries and poor people share adequately in [globalisation's] opportunities and benefits" (OECD/DAC 2001a). Although many of the pillars of sustainable development can be found in EPRP, there is a new sense of urgency which has led to the elevation of poverty reduction to an overarching objective in many development donor organizations.

The international community has been grappling for over a decade with the need to define a more multidimensional approach to poverty reduction, i.e., one that goes beyond a simple consideration of household income or consumption to include the holding of financial and non-financial assets, access to public services, human rights, social inclusion, and political empowerment. The World Bank's Comprehensive Development Framework, for example, observes "there has been a convergence among developing country governments, NGOs, the UN, members of the DAC of the OECD, and others in the development community" around the idea "that the pursuit of economic growth may too often have been at the expense of social development, and that open, transparent, participatory processes, together with a long-term vision ... are important for sustainable development." (World Bank 2001a, p. 2)

The result is not one agreed upon paradigm for defining and achieving poverty reduction, but rather an emerging area of consensus that allows, at the same time, for substantial differences in emphasis between the donors. Details of the approaches enunciated by five different institutions are described in Annex A. These include the UNDP, the World Bank, the OECD/DAC, Oxfam (selected for inclusion here as a reasonably representative non-governmental organization), and the United Kingdom's Department for International Development (DFID) (selected as an important bilateral donor agency with a well-articulated strategic vision embodied in its White Papers). What follows here is a summary of the consensus reached by these and other institutions, as well as some discussion of differences in emphasis among the donors. The comparative section that follows is directed more towards the areas of overlap and the differences between EPRP and SD.

The first important characteristic of EPRP is that it sees poverty as multidimensional in both its manifestations and its causes. Thus poverty can be described in terms of low income and consumption; few physical and financial assets; low levels of education; poor health; lack of access to social services, clean water and sanitation; physical isolation; lack of access to markets; social exclusion; gender and age discrimination; political powerlessness; degraded and polluted natural resource environment; and vulnerability to civil disturbance, drought, and other sources of risk (World Bank 2000e; OECD/DAC 2001b).

Poverty is defined by EPRP not only in absolute terms but also relative to the living conditions of others. This is true for three reasons. First, countries with greater income inequality experience less reduction in the absolute level of poverty for any given rate of average economic growth (World Bank 2000e, pp. 55). Second, countries with greater initial income inequality are likely to grow less rapidly, and this decreases the rate at which poverty is reduced (World Bank 2000e, p.56). Third, relative deprivation compared with the living conditions of other people is described by the poor as being one of the dimensions of their poverty (World Bank 2000c, p. 44).

Under EPRP, poverty is often seen as "capability deprivation" (Sen 1999, p. 87). This emphasizes the inability of the poor to pull themselves out of poverty because of their lack of

resources and the geographic, social, gender, political, and economic barriers that marginalize them within the broader population. Although economic growth is a necessary condition for poverty reduction, it is not sufficient because it does not assure that the poor will participate. Such participation requires that growth be pro-poor. Although there is no fully agreed definition of what pro-poor means, it generally is thought of as including (1) improved access by the poor to land, credit, and human capital; (2) focusing on sectors and regions with the greatest poverty impact; and (3) labor-intensive forms of production (OECD/DAC 2000, p. 16).<sup>6</sup>

There is some difference in emphasis regarding the impact on the poor of openness to trade, capital, and information flows. There is widespread consensus on the need to provide safety nets to protect the poor from suffering during the transition from a closed to an open economy, but not everyone agrees that the poor necessarily benefit in the longer run from a more open economy. The World Bank and the IMF are on balance quite supportive of openness to free trade as a way to promote more rapid economic growth, which helps in turn to reduce poverty (World Bank 2000e, pp. 70-77; Fisher 2001). On the other hand, in its 1999 Human Development Report entitled "Globalization with a Human Face," the UNDP accentuates the rising inequalities ensuing from globalization, which influence access to foreign direct investment, export opportunities, new technologies, and expanded employment that depends on access to higher education (UNDP 1999, pp.1-9). The solutions proposed require extensive action on the part of the industrial countries. Here there is considerable overlap with the OECD/DAC's emphasis on policy coherence, which stresses that the OECD member countries need to assure that their national policies and international agreements related to international trade and finance, food and agriculture, natural resource management and the environment, social issues such as labor and health, and governance and conflict resolution do not conflict with the goal of poverty reduction (OECD/DAC 2001b, chapters IV and V).

There are substantial variations in emphasis within EPRP concerning the importance of agricultural development in rural areas as a means of reducing poverty. Many agree that a majority of the poor presently live in rural areas.<sup>7</sup> There is also considerable agreement regarding the importance of the poor having access to rural markets, including markets for land, labor, and capital. But there is generally less attention given to investing in rural infrastructure or strengthening national institutions for agricultural research and the dissemination of research results. Although the World Bank is sensitive to the isolation of the rural poor, and stresses the need to improve the functioning of rural markets and to help build the asset base of the poor, the only discussion of agricultural research and extension occurs within the context of international public goods (World Bank 2000e, pp. 183-84). Even Amartya Sen, whose writings on hunger and famine are frequently cited as one of the major inspirations of EPRP, tends to place less emphasis on increasing agricultural production than on the generation of income in rural areas as a means of increasing people's entitlement to food (Sen 1981; Drèze and Sen 1989, pp. 165-70). However, John Mellor, in his background papers for the OECD/DAC, World Bank, and USAID,

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<sup>6</sup> Focusing on sectors and regions with the greatest poverty impact does not necessarily imply that these sectors and regions are the poorest. Where poverty is deep and widespread because of lack of access of the poor to infrastructure, social services, capital, and other basic inputs, the best strategy may be one that encourages emigration to more promising areas of the economy.

<sup>7</sup> According to IFAD, three-quarters of the world's extremely poor live and work in rural areas (IFAD 2000/01), notwithstanding demographic trends which suggest that 90% of all population growth over the next twenty-five years will take place in the urban areas of the developing world.

attributes great importance to agricultural development, including investment in rural infrastructure, as the principal instrument for generating rural income and reducing poverty (Mellor 2000). Furthermore, a recent report for IFAD by the Poverty Research Unit of the University of Sussex (IFAD 2000/01, Lipton 2000) stresses the importance of agricultural development in reducing rural poverty. Agriculture and rural development is also emphasized by many of the NGOs (Oxfam International 1997).

Human development is defined as the process of enlarging people's choices as well as increasing the level of their well being (UNDP 1999, p. 16). This occurs by making education, health services, clean water, and sanitation available to the poor. Heavy emphasis is placed on making basic social services available to the poor, especially by UNDP and UNICEF (Mehrotra and Jolly 1998; UNICEF 2000). Although the importance of this is generally agreed upon by the proponents of EPRP, UNDP (Jolly 1998, p. 11), UNICEF (2000, p. 30), and Sen (1999, pp. 46-49) go somewhat further in arguing that this goal should have very high priority even in countries that on average are very poor and are not growing rapidly. Although economic growth is important in the long run to allow continuing improvements in health and education, it should not, according to them, be a precondition for extending these basic services to the poor. Aside from the direct benefits acquired by the poor, it is argued, this extension will also help to promote economic growth (Jolly 1998, pp. 7-18).

The UNDP (2000) and World Bank (2000e, 2001b) emphasize empowering the poor. This means strengthening the participation of poor people in political processes and local decision-making that affect their daily lives. It also implies the local government's building of domestic consensus across stakeholders, drawn from civil society and the private sector, and with a country's external partners, in support of a national poverty reduction strategy (World Bank 2001b, pp. 4-5; World Bank 2000b). Empowerment of the poor requires removing social and institutional barriers that result from distinctions of gender, ethnicity, and social status (World Bank 2000e, p. 7). The major argument here is that unless the poor are able to influence the decisions that affect them, they will be unable to gain access to the social services, resources, and markets that are necessary for them to escape poverty. Two major dimensions of action to empower the poor are (1) making state institutions more responsive to poor people and (2) removing social barriers and building social institutions. Decentralization of government is a major theme. Special attention is also paid to problems of gender equality, social stratification, and social fragmentation and conflict (World Bank 2000e, pp. 99-131).

WDR 1990 emphasized the importance of social safety nets.<sup>8</sup> The 2000/2001 WDR introduces the notion of "listening to the poor" – and what is heard is the enormity of the task of dealing with the precariousness of daily life. Risks include illness and injury, old age, crime and armed violence, unemployment, harvest failure and food price fluctuations, natural disasters, economic crises, and other external shocks. To supplement informal coping mechanisms used by individuals, households, and groups, the World Bank proposes public programs and policies that should be put in place to help poor people deal with risk and uncertainty. Seven such tools are explored: health insurance, old age assistance and pensions, unemployment insurance and assistance, work fare programs, social funds, micro-finance programs, and cash transfers (World Bank 2000e, pp. 146-76).

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<sup>8</sup> The importance of providing safety nets during structural adjustment was first emphasized by Cornia, *et al* (1987).



With the exception of the OECD/DAC *Guidelines* (OECD/DAC 2001b) and a brief section in the UNDP 2000 Poverty Report (UNDP 2000), there is not much linkage in the poverty reduction strategies of the agencies surveyed here to environmental sustainability. The UNDP in fact notes that “so far, environmental plans and poverty plans have been kept separate” (UNDP 2000, p. 98). The 1992 World Development Report examined the connections between the environment and economic growth and poverty. In its 2000/2001 report, the World Bank highlights the need for greater international action in support of environmental protection, and specifically focuses on preservation of forests as an example of how local management can increase poor people’s access to natural resources (World Bank 2000e, pp. 91-93). The OECD/DAC *Guidelines* focus on sustainable livelihoods for the poor, and explicitly treat environmental sustainability as a cross-cutting theme, and natural resources and the environment as an important area for policy coherence (OECD/DAC 2001b, pp. 91-92).

## COMPARISON OF EPRP AND SD

Both EPRP and SD agree that a basic goal of international development is to improve the standard of living and well-being of poor people everywhere. There is broad consensus that this requires an expansion of economic opportunities and an enhancement of the ability of the poor to take advantage of those opportunities. This can be achieved by promoting the type of economic growth that creates opportunities, by increasing the capabilities of the poor to take advantage of those opportunities through better health and education, and by providing safety nets to protect those who are unable to take advantage of new opportunities or are likely to be injured during periods of transition.

All of this was recognized and accepted at the beginning of the 1990s, when the first World Development Report on Poverty was published (World Bank 1990).<sup>9</sup> The contribution of the 1990s has been increased recognition by the international community, and especially by proponents of EPRP, that this is not enough. While pro-poor or broad-based economic growth is thought by most people to be a necessary condition for poverty reduction, many also believe that it is not sufficient. Access to basic health and education services is increasingly thought of not just as a necessary condition for the poor to benefit from better economic opportunities, but also as a basic human right, which should be respected whether or not those opportunities exist. Safety nets are not just required for those who are old, infirm, or otherwise unable to participate actively in the expanded economy or who suffer during periods of transition. They are needed for the many people who are vulnerable to the vicissitudes of life and who risk falling into poverty. Poverty is increasingly seen as multidimensional in both its causes and its effects. Finally, there is increasing awareness that poverty reduction does not just happen “to” the poor. They must be involved, they must be empowered.

Some of this new thinking has influenced USAID’s SD approach and some of it has not. At the same time, SD has made its own independent contributions to the development of a poverty reduction framework. This section discusses these differences, as well as areas of overlap, with respect to twelve different points of comparison.

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<sup>9</sup> Although Part II of the World Bank’s 1980 World Development Report focused on “Poverty and Human Development”, the 1990 report was the first to showcase poverty issues.

The experiences of eight developing countries, permitting some insight into the effectiveness in reducing poverty of interventions related to EPRP in comparison with those linked to SD, are treated in Salinger and Stryker (2001). A sample of eight countries was chosen on the basis of the availability of information and the lessons that could be learned from each. These included three countries in Latin America (Bolivia, Costa Rica, Peru), two in Asia (Bangladesh, Indonesia), two in sub-Saharan Africa (Mali, Uganda), and one in North Africa (Morocco), chosen for a balanced global distribution. In addition to regional diversity, the sample was selected to include examples where one poverty reduction approach rather than the other has tended to be followed (SD in pre-1997 Indonesia, EPRP in Uganda and Bolivia, neither in Morocco); where poverty is widespread (Mali), narrowly focused (Peru), or largely eliminated (Costa Rica); where safety nets have a long history (Bangladesh) or are relatively recent (post-1997 Indonesia); where efforts to promote human development have effectively reached the poor (Costa Rica) or have concentrated more on the urban middle class and rural elites (Morocco).

Analyses of the areas of overlap and differences between the two approaches to poverty reduction are presented in each of the twelve sub-sections below.

### **1. *Importance of Economic Growth***

Both approaches agree that economic growth is important, but there are differences with respect to (1) the form that it should take, and (2) the extent to which it is considered to be essential. The proponents of EPRP argue that economic growth, to be effective in reducing poverty, must be pro-poor. A pro-poor pattern of growth is characterized by EPRP as (1) improved access by the poor to land, credit, and human capital; (2) focusing on sectors and regions with the greatest poverty impact; and (3) labor-intensive forms of production (OECD/DAC 2000, p. 16).

This emphasis on a pro-poor pattern of growth has actually long been a feature of earlier writings. For example, WDR 1990 recognized that promoting economic opportunities for the poor means encouraging a pattern of growth that increases the efficient use of assets owned by the poor, particularly their own labor (World Bank 1990, p. 56). Yet despite the fact that labor is an abundant resource, especially for the poor, many incentives frameworks have been biased in favor of capital-intensive, over labor-intensive, growth (World Bank 1990, p. 56). In order to maximize growth opportunities for the poor, they should have access to land, credit, and public infrastructure (World Bank 1990, p. 64). In their discussion of the rural transformations necessary to promote broad-based sustainable growth, Weaver, Rock, and Kusterer argue that labor-intensive rural industrialization is an important component (Weaver, Rock, and Kusterer, p. 140). They also acknowledge the importance of labor-intensive manufactures in the success stories of newly industrializing economies (Weaver, Rock, and Kusterer, p. 157).

Within USAID, broad-based economic growth is portrayed as involving (1) expanded human capacity through education and training, (2) a policy environment that promotes efficiency and economic opportunity for all, (3) soundly organized and managed institutions, and (4) good governance. There is focus on widespread increases in income and employment, agricultural development and food security, and expanded access by the poor to economic opportunity (USAID 2000, p. 7). However, there is a strong perception that economic growth should not be highly targeted to the poor, particularly in country's where poverty is widespread (Crosswell 2000). Rather it should be promoted through the establishment of a policy environment and institutional structure that encourages growth and facilitates access by all to the benefits of that

growth. The only targeting of the poor is through education, training, and other means of expanding access by the poor to economic opportunity. Specifically, in comparison with EPRP, SD does not focus on sectors and regions with the greatest poverty impact, except to the extent that this is most efficient in promoting economic growth.

Another important difference between the two approaches lies in the relative priority given in each to economic growth.<sup>10</sup> SD is unequivocal regarding the essential importance of economic growth in reducing poverty. The importance of growth is explicit in USAID's Strategic Plan, which states that "broad-based, equitable economic growth is the most effective means of bringing poor, disadvantaged and marginalized groups into the mainstream of an expanding economy ... [t]he resulting widespread increases in income, employment and output lead to reduced poverty, increased food security and higher standards of living including better health and education." (USAID 2000, p.7).

Among the proponents of EPRP, there is a wide range of opinion regarding the importance of economic growth. Some consider it crucial, but others give it lesser priority. Among the former, the U.K. Department for International Development (DFID) finds that "economic growth is essential for poverty reduction" (UK DFID 2000a, p. 16). The World Bank finds that "economic growth is a powerful force for poverty reduction" (World Bank 2000e, p. 45) and cites the "strong links between economic growth and the income and non-income dimensions of poverty" (World Bank 2000e, p. 46). In addition to growth per se, the Bank is also concerned with initial unequal distribution of assets and income, and with the changes in distribution which occur with growth, as elements affecting the extent to which the benefits of growth help the poor.

On the other hand, another strand within the EPRP literature argues that even if countries are poor and growing slowly at best, they should still invest heavily in basic health and education. Pointing to substantial advances in human development, especially since 1980, even where there have been important failures of economic growth, Mehrotra and Jolly, senior advisors to UNICEF and UNDP respectively, suggest that "the links between human advance and growth of GDP are not as close as often imagined" (Jolly 1998, p. 8). Their conclusion is that there is no need to wait for improvements in the economy to accelerate action to improve nutrition, reduce child mortality, expand basic education, and provide everyone with clean water and sanitation. "Well-being may be improved by reallocating resources (public and private) to social sectors, even in the absence of growth. Thus economic growth is required only for an ever-increasing provision of services with an improvement in quality." (Jolly 1998, p. 11)<sup>11</sup> In addition, it is argued, the returns to investment in basic health and education are substantially higher than the returns on the totality of investment in broad-based development, so that the former investment is not only more equitable but also more efficient (Jolly 1998, pp. 14-15).

Another argument, made by UNICEF, for emphasizing basic health and education is that the poor are not likely to benefit unless access to these services is nearly universal. Demographic

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<sup>10</sup> The comparison here is between the relative importance of economic growth under SD and its relative importance under EPRP, *not* the relative importance which USAID places on economic growth over its other strategic objectives.

<sup>11</sup> This strategy is referred to by Drèze and Sen as "support-led security". They argue that "...the evidence in favour of the feasibility of support-led security is quite substantial." (Drèze and Sen 1989, pp. 183-87) See also Sen (1999, pp. 46-49).

and Health Surveys (DHS) in a number of countries have shown that, as the total percentage of the population having access to basic social services rises, the poor become an increasingly larger percentage of those still without access. Only when access to primary education becomes nearly universal are poor children educated. Furthermore, the evidence suggests that narrow targeting cannot compensate for this inequity (UNICEF 2000, pp.46-47).

## **2. Central Priority of Poverty Reduction**

The strategic objectives of SD and EPRP are in some ways very similar. The U.S. formally subscribed to the International Development Goals (IDGs) at the OECD in 1996 and again during the G-8 meeting in Cologne in 1999. As part of the April 2001 high-level meeting of development ministers at the Development Assistance Committee in Paris, the U.S. joined in endorsing the DAC's Poverty Reduction *Guidelines* and its Illustrative Checklist on Policy Coherence for Poverty Reduction (Faure 2001). While only two out of 23 strategic objectives relates directly to poverty reduction, seven of USAID's thirty-four performance goals are quite similar to the IDGs embraced by EPRP and are seen by many as working towards poverty reduction (Plunkett and Salinger 1998; OECD/DAC 1998). However, there is a clear distinction between the broader international community's explicit commitment to poverty reduction as an overarching goal and USAID's espousal of SD as an instrument of poverty reduction (USAID 2000, p. 1).

An important reason why poverty reduction has assumed high status on the agendas of most multilateral and bilateral development assistance agencies is that it is increasingly seen as an ethical and moral imperative, not just a means of achieving other goals that are perceived to be in the national interest. "Against [a] background of achievement, it is all the more staggering – and all the more shameful – that more than one billion people in the developing world are living in poverty," noted the WDR 1990 (World Bank 1990, p. 1).

The trend within the international community is increasingly to take a global perspective, perhaps most evident in the numerous world summits that took place during the 1990s on the environment, population, social development, women, food security, and other areas that are increasingly being looked at as matters of global concern. The agreements and resolutions of many of these summits contributed to the establishment of the International Development Goals. Another important trend has been increased involvement by NGOs, churches, labor unions, and other organizations in what used to be principally the domain of business, government, and international organizations (Kanbur 2001). Important examples are the WTO meetings in Seattle in November 1999, the IMF meetings in Washington in April 2000, and the Special Meeting of the General Assembly on Social Development in Geneva in June 2000. Another example is the Jubilee 2000 movement for debt forgiveness, which helped to bring about HIPC II.

One key aspect of the rising central priority of poverty reduction as an international goal is growing recognition that it is not just absolute poverty that matters. Relative income inequality, both within countries and between countries, is also seen as increasingly intolerable, especially since the evidence suggests that it is growing in importance (UNDP 1999, pp. 25-44). The participatory approach promoted by the World Bank also highlights the importance to the poor of relative deprivation, the "stigma of poverty" (World Bank 2000e, p.16). There is also recent evidence that relative income inequality not only is important from the perspective of individual welfare but also has a major influence on economic growth, because inequality creates an

unstable political atmosphere, which increases the perception of risk and prevents those at the bottom from becoming productive members of society (World Bank 2000e, p. 56). The inequality issue is also of increasing concern to international policy makers because it affects the likelihood of achieving poverty reduction goals. In asking whether the International Development Goal of halving world poverty is achievable, World Bank simulations using plausible, but pessimistic, assumptions regarding growth and inequality changes, particularly in critical countries such as China and India, suggest that the target may not be achievable (World Bank 2000a, p. 10).

EPRP focuses mainly on the poor – a subset of the country’s population – and on improvements in the well-being of the poor. SD focuses quite explicitly on countries, and on the entire society, seeking to effect a transformation via systemic interventions.<sup>12</sup> Rather than focusing directly on interventions to aid the poor, SD advocates a broad-based approach that creates the conditions for economic growth *and poverty reduction*.<sup>13</sup> USAID expects that broad-based, equitable growth is the most effective means of bringing poor, disadvantaged and marginalized groups into the mainstream (USAID 2000, p. 7). In countries where poverty is prevalent, the SD approach seeks to address growth, weak institutions, and widespread human development challenges, and thereby implicitly help to reduce poverty, whereas in higher income countries where poverty is relatively more concentrated, a more targeted EPRP approach may well be more feasible and effective (Crosswell 2000, p. 5).

In contrast to the growing central importance of poverty reduction to the international community, the U.S. international affairs strategic plan and USAID’s strategic plan still justify the development assistance program from the relatively narrow perspective of national self-interest. There is virtually no mention of global poverty reduction as an important end in itself, except via its international development partner relations, as mentioned at the beginning of this section.

Contrast this with the following statement from the U.K.’s White Paper on poverty reduction:

It is our duty to care about other people, in particular those less well off than ourselves. We all have a moral duty to reach out to the poor and needy. But we also owe it to our children and our grandchildren to address these issues as a matter of urgency. If we do not do so there is a real danger that, by the middle of the next century, the world will simply not be sustainable (UK/DFID 1997, p. 5).

There is a perception within the broader international community that the United States is a market-oriented society guided primarily by profit-making incentives.<sup>14</sup> In the OECD/DAC *Scoping Study of Donor Poverty Reduction Policies and Practices* (OECD/DAC 1999), the U.S. was one of only four, out of a total of 25 development assistance agencies, for which poverty reduction was not an overarching goal. USAID’s Strategic Plan emphasizes broad-based sustainable development, but only two out of 23 of its strategic objectives relates directly to poverty reduction.

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<sup>12</sup> Distinction made by Michael Crosswell (USAID/PPC) in personal communications.

<sup>13</sup> Italics reflect language added in the preamble to the Strategic Plan, USAID 2000, p. 1.

<sup>14</sup> Authors’ observations from numerous international working party conferences and meetings on poverty reduction.

### **3. Definition and Measurement**

One of the major advantages that EPRP presents in comparison with SD, insofar as a definition and measurement are concerned, is that EPRP has a very clear ultimate goal. One of its disadvantages is that its multidisciplinary definition of poverty makes it difficult to operationalize the implementation of poverty reduction or to measure progress in achieving that goal. On the other hand, in seeking to implement SD, USAID has the advantage of a well developed system for performance evaluation based on a long series of objective indicators, but little in the way of a framework for showing how these indicators relate to each other within a particular USAID Objective or to the other USAID Objectives under the same and different USAID Goals. Furthermore, it is not clear what they are all ultimately supposed to accomplish.

The first step to operationalize the effort to achieve poverty reduction is to define what poverty is and how it can be measured. USAID's implementation of the SD approach concentrates on a definition of poverty that is based essentially on income (USAID 1997, p. 32). Yet there are many other variables that are considered to be important in influencing that income, or more generally in influencing development. USAID's Strategic Plan has a whole portfolio of indicators related to its array of objectives. Those that are similar to the International Development Goals (IDGs) include: proportion of the population below the poverty line, proportion of primary school-age population not enrolled in school, ratio of girl's enrollment rate relative to boy's enrollment rate, total fertility rate, mortality rates for infants and children under age five, maternal mortality rate, and proportion of underweight children under age five. It is understandable that there is a close correspondence between these indicators and the IDGs, given USAID's important leadership in the development of the IDGs as part of its participation in the Development Assistance Committee of the OECD.

The effort made within USAID to come up with annual indicators of performance has, however, resulted in the use of a proxy indicator for reduction in poverty. Instead of measuring that reduction directly in its performance report, USAID measures the "proportion of countries in each region that sustain growth rates in income at a level equivalent to or higher than the regional consumption rates – enabling them to meet a 25 percent reduction in poverty level by 2005" (USAID/CDIE 2000, p. 21). While this is a useful interim proxy, it is not very consistent with the belief that growth should be broad-based if it is to have much impact on poverty. Furthermore, the use of growth rates as a proxy for poverty reduction is justified on the basis of the fact that USAID needs annual performance measures and direct measures of the incidence of poverty are not available annually. But annual variations in the incidence of poverty probably have very little meaning because of the impact of short-term shocks.

Poverty is defined by EPRP in a more multidimensional way. This may require the construction of an index combining several dimensions of poverty, such as the Human Poverty Index produced by UNDP (2000, p. 22). Or there may be a preference for avoiding any explicit set of weights and simply using a number of different poverty indicators. Already in 1990, the World Bank stressed the importance of supplementing the traditional consumption-based poverty measure with others, such as nutrition, life expectancy, under 5 mortality, and school enrollment rates (World Bank 1990, p. 26). "The weakness of income growth as an indicator is that it may mask the real changes in welfare for large parts of the poor population" (World Bank 1991, p. 31) The World Bank of 2000 measures poverty in several ways: looking at income poverty by focusing on monetary income or consumption data, examining deprivation by tracking health

and education indicators, and measuring voicelessness and powerlessness by using participatory methods to capture qualitative information in such areas as civil and political liberties.

There is no requirement to weight all of these in order to derive one composite measure (World Bank 2000e, p. 22). Kanbur and Squire (1999) argue, in fact, that a multidisciplinary approach implies the need for multidisciplinary strategies, but not a multidisciplinary measurement, given the great degree of overlap among distinguishing features of poverty. That is, someone who is income-poor is likely also to suffer from poor health, illiteracy, lack of empowerment, and high vulnerability. The 2000/2001 WDR also notes that absolute poverty measures differ from relative poverty concepts, which measure the distribution of resources required to enjoy living standards that are considered locally relevant.

#### ***4. Increased Openness to Trade, Capital, and Information Flows***

The SD approach emphasizes the importance of openness to flows of trade, capital, and information. “Openness – the free flow of goods, capital, people, and knowledge – transmits technology and generates economic growth across nations” (World Bank 1991, p. 88). USAID’s Strategic Plan has openness as one of its explicit performance goals and lists trade, foreign investment, and economic freedom as important indicators of successful performance (USAID 2000, p. 8).<sup>15</sup> Growth of exports is believed by many to be the driving force behind broad-based economic growth. “Yet study after study has found a positive relationship between the growth of the export share of GDP and the rate of growth of GDP. The type of export matters, however,” referring to the fact that the most successful exporting countries have shifted from exports of traditional primary commodities to those of nontraditional agricultural products and manufactured goods (Weaver, Rock, and Kusterer 1997, p. 24).<sup>16</sup>

Proponents of EPRP have been more cautious. Although the World Bank continues to emphasize the importance of increased openness as an opportunity for economic growth and poverty reduction, it also warns that it may be insufficient, since there is also a need for legal, regulatory, and judicial (LRJ) reform, as well as reform of the public sector (World Bank 2000e, pp. 63-64). One of the most vocal proponents of doing more than simply opening economies to global trade and investment has been Joseph Stiglitz, former Chief Economist at the World Bank. Stiglitz has emphasized that trade and market liberalization must be accompanied by efforts to build regulatory capacity and to establish competitive markets. He has also stressed the need to support public investment in human capital and to encourage the adoption of new technologies (Stiglitz 1998).

The Department for International Development of the U.K. speaks of the need “to manage globalisation so that poverty is systematically reduced and the International Development Targets achieved” (UK DFID 2000b, p. 10). Greater openness contributes to higher economic growth, which can play a major role in reducing poverty, but “within developing countries, barriers to participation, low skills and inequalities of opportunity may prevent the poor from contributing to trade-led growth and may make it harder for them to adjust to the changing

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<sup>15</sup> The importance of the flow of information technology is highlighted in the latest revision of the Strategy Plan.

<sup>16</sup> This is not to say that traditional primary product exports do not have an important role in promoting economic growth and poverty reduction, especially in the early stages of development, but only that continued dependence on these exports ultimately is likely to lead to economic stagnation

economic environment.” (UK DFID 2000a, p. 21) On balance, however, “the U.K. Government believes that, if well managed, the benefits from globalization for poor countries and people can substantially outweigh the costs, especially in the longer term.” (UK DFID 2000b, p. 19)

The UNDP is more skeptical regarding the benefits of openness for reducing poverty without strong accompanying measures. These include social policies regarding labor markets, greater transparency and accountability to avoid monopolization of the benefits of liberalization, better macroeconomic management to lower social costs, strengthening international action to regulate and supervise banking systems, developing better institutions for early warning and crisis management, and establishing an international lender of last resort. The list goes on (UNDP 1999, pp. 9-13). In its 2001 Human Development Report, the UNDP is a bigger champion of openness to information flows, recognizing that today’s technologies have tremendous potential to help eradicate poverty, yet that such accomplishments are stymied by climatic differences, weak effective demand from the developing countries, markets in industrialized countries which do not respond to needs in developing countries, and weak technological capacity in many developing countries (UNDP 2001, pp. 95-97).

Oxfam urges even stronger measures to protect the poor. These include development of a multilateral investment code, imposition of a tax on international currency exchanges to deter speculative capital movements, development of a debt relief framework for private capital markets, and protection of local food production from competition from imports (Oxfam International 1997). Some of these measures could substantially decrease the degree of openness, depending upon the level of taxation and protection imposed, and obviate the potential gains to the poor. For example, it is difficult to see how protection of local food production from import competition, which could raise food prices substantially, is going to benefit the poor, who are likely to be net purchasers of food.

Thus we find a whole range of perspectives on the costs and benefits to the poor associated with openness to trade, capital, and information flows. With the global financial crisis of 1997-98, concerns over the adverse impact of openness on the vulnerability of the poor increased substantially, almost across the board. Today, virtually everyone accepts the issue of short-term vulnerability as being important, along with the need to address that issue with some type of safety net (Kanbur 2001, pp. 9-10). Despite this, there is still no mention in USAID’s Strategic Plan of the risks and increased vulnerability of the poor attached to greater openness.<sup>17</sup>

## **5. Poverty Reduction and the Role of Government**

Government is called upon in both the EPRP and SD approaches to play a significant role in reducing poverty. “... [M]arkets sometimes prove inadequate or fail altogether. That is why governments must, for example, invest in infrastructure and provide essential services to the poor” (World Bank 1991, p. 1). Particularly in the area of social spending, “the state is usually cast in the leading role” (World Bank 1991, p. 69).

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<sup>17</sup> Weaver, Rock, and Kusterer (1997) was written before the global financial crisis of 1997. It is possible that had the book been written after that crisis, more attention would have been paid to the vulnerability of open economies and the potential for harm to the poor. The USAID Strategic Plan has been revised since it originally appeared in 1997, however, and there is still no acknowledgement of the risk or vulnerability attached to openness.



EPRP and SD overlap a great deal, both highlighting the need for increased accountability, improved transparency, greater democracy, and enhanced governance in order to make government more effective and responsive to the needs of its constituents. Yet there are important differences between the two approaches in how government is to play this role.

The goals, objectives, and program approaches in USAID's Strategic Plan imply a role for government in the following areas:

- Policy environment that promotes efficiency, equitable economic opportunity, agricultural incentives, higher education that addresses development needs, provision of reproductive health services, and addressing HIV/AIDS;
- Legal, regulatory, and judicial (LRJ) environment that supports markets, information technologies, micro-enterprises, human rights, gender equity, democratic institutions, effective and fair justice system, and civil society;
- Institutions that support competitive markets and agricultural development;
- Infrastructure including telecommunications;
- Government information and information technology and systems;
- Provision of services for education and training (appears to apply to services delivered by the public sector, though this is not explicitly stated);
- Government that is transparent, accountable, and democratic;
- National environmental management.

Elsewhere it is unclear as to what institutions are to achieve the goals set out in the plan. For example, under the USAID Goal "World population stabilized and human health protected", there is no mention of whether this is to be carried out by public health ministries, private family planning clinics, NGO managed health facilities, or other institutions. There is no discussion of the myriad of issues brought out in the World Development Report 2000/2001 concerning how to make government responsible for poverty reduction. Nor is there any explicit endorsement of the notion that partner governments should allocate a significant share of budgetary resources to government social services, as there is, for example, with EPRP's endorsement of the 20/20 Initiative, which calls for the allocation of, on average, 20 percent of the budget in developing countries and 20 percent of official development assistance to basic social services (UNDP/UNESCO/UNFPA/UNICEF/WHO/World Bank 1998).

Structural adjustment during the 1980s and early 1990s was in many ways an attempt to correct the worst abuses of the state in Africa, Latin America, and other regions of the world. At its root was a deep skepticism of the state. This has now been replaced under EPRP by a vision of the central state, as well as local government, as a poverty reduction partner (UNDP 2000, pp. 39). Of course this is only possible if governments at all levels become more accountable, transparent, democratic, and responsive to the needs of the poor. EPRP acknowledges this, and sets out a detailed agenda for achieving it, but says relatively little of the underlying political economy process involved. The one admission that is made, in this respect, is that the empirical evidence shows that initial income inequality has important subsequent effects on economic growth and on the impact of this growth on reduction of poverty and changes in relative income distribution (World Bank 2000e, pp. 55-56).

On balance, the EPRP approach generally places greater emphasis on safety nets and direct/targeted government interventions on behalf of the poor, and explicitly acknowledges the

importance of national and local governments as instruments for poverty reduction. The World Development Report 2000/2001, for example, discusses the role of the state in expanding poor people's assets. It recognizes that "governments are constrained by fiscal resources at their disposal and their administrative capacity to deliver services effectively. Also, even if they have the resources and the capacity, state institutions may not be responsive to the needs of poor people." (World Bank 2000e, p. 79) The report then goes on to explain how public action can enable poor people to expand their assets:

- by using the power of the state to redistribute resources via services that create assets such as education, health, and infrastructure;
- by implementing policy and institutional reforms to ensure effective delivery of services; and
- by engaging poor households and communities in decisions on the choice, operation, monitoring, and evaluation of programs that build their assets.

These principles are illustrated in a number of action areas such as health and education services, land reform, urban water and sanitation services, and expanding access to financial assets (World Bank 2000, p. 79). The mechanisms for making state institutions more responsive to poor people include focusing public action on social priorities, enabling and motivating public administrations, curbing corruption, enhancing the rule of law, decentralization, building pro-poor coalitions, promoting participatory democratic processes (World Bank 2000e, pp. 99-115). One mechanism for doing this is the 20/20 Initiative.

## **6. Vulnerability of the Poor**

The 1990 WDR described safety nets as devices to catch people who, despite pro-poor growth and improved health and education, were still unable to gain effective employment and earn a decent wage, as well as those who might be caught temporarily in a difficult situation, perhaps because of a transitional phase associated with structural adjustment (World Bank 1990, p. 3). The poor were seen as vulnerable to income variability (World Bank 1990, p. 34). Viewed in the context of concerns raised by UNICEF regarding the effects of structural adjustment on incomes and social services (Cornia, Jolly, and Stewart 1987), WDR 1990 acknowledged that the short-run effects of adjustment policies can include higher un/under-employment as firms and labor markets adjust under economic restructuring and that negative demand effects of such un/under-employment may be unavoidable (World Bank 1990, 103). Moreover, "it may take a long time for some of the poor ... to fully participate, and the old or disabled may never do so" (World Bank 1990, p. 90). Hence, there emerged a new focus on safety nets, i.e. some form of income insurance to assist vulnerable populations during times of short-term stress, such as food distribution schemes, public works programs, and social security insurance.

More recent studies, however, have shown that poverty is a recurrent transitional phenomenon.<sup>18</sup> In the *World Development Report 2000/2001* (2000/2001 WDR), the World Bank places increased emphasis on the vulnerability of the poor. Many poor and near poor households often move in and out of poverty frequently as a result of the precariousness of daily life, which is buffeted by illness, injury, old age, violence, persecution by authorities, civil conflict and war, unemployment, macro-policy shocks and stresses, famine, and other natural and man-made

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<sup>18</sup> Summarized in World Bank 2000d's chapter 8 on "Helping Poor People Manage Risk." See also Narayan et al. 2000, "Anxiety, Fear, and Insecurity," chapter 8.

shocks. Many of these shocks are initially absorbed by the individuals, households, and local community through a variety of coping mechanisms. But the ability of the poor to absorb these shocks is very weak because they do not have the resources that are necessary. As a result, they may be plunged into much deeper poverty. The result can be the sale of the last few family assets, declining health, and destitution. Public programs and policies need to be put in place to help poor people deal with these risks. Seven such tools are health insurance, old age assistance and pensions, unemployment insurance and assistance, work programs, social funds, micro-finance programs, and cash transfers. Together these act as ongoing safety nets to protect the poor in time of crisis and to keep the moderately poor from becoming desperately poor (World Bank 2000e, pp. 135-59).

Assisting the poor to cope with crisis is not the only way they can be protected. EPRP also proposes measures to prevent economic crises and natural disasters and to mitigate these once they occur. One way economic crises can be avoided is through sound macroeconomic management to avoid dramatic corrections to rapid inflation, highly overvalued exchange rates, and unsustainable balance of payments deficits. Another is sound prudential regulation and supervision of financial institutions. Should crisis ensue, it can often be mitigated to protect the poor by avoiding policy overreaction and by choosing a spending mix that favors continued access by the poor to social services. The poor can often be protected from natural disaster by reducing their vulnerability through resettlement, infrastructure investment, and diversification of income sources (World Bank 2000e, pp. 161-76).

USAID's approach has been quite different. Its focus is much more on humanitarian assistance in response to natural or man-made disasters and complex emergencies, including assistance to displaced refugees and in managing transitions back to normalcy. Interventions typically include food aid, health care, medical supplies, and assistance with restoring effective governing institutions. Although these laudable and important types of aid are clearly necessary in emergency situations, they differ from providing reasonably permanent protection for the poor in normal times and in advance of crisis or disaster. This missing dimension of poverty reduction appears to be receiving new attention in USAID, as part of its efforts in the area of conflict prevention, which stresses the need to develop early warning systems to alert policymakers to key areas of potential conflict.<sup>19</sup>

## **7. *Priority Assigned to Agricultural Development***

The multidisciplinary nature of both EPRP and SD makes it difficult to assign priorities. There is a tendency to have to do everything at once. One exception is the emphasis that UNDP and UNICEF place on human development through the provision of basic health, education, safe water, and sanitation services. Another is the stress placed by SD and some, but not all, advocates of EPRP on agricultural and rural development.

WDR 1990 recognized that "the expansion of agriculture is the driving force behind effective rural development, which in turn lays the foundation for broadly based, poverty-reducing growth" (World Bank 1990, p. 56). Its economic growth strategy for the poor highlights the importance of government policy frameworks and investing in infrastructure and technology.

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<sup>19</sup> See <http://www.usaid.gov/pubs/confprev/>.

The linkages between farm and non-farm sectors are also understood to be an important motor of overall economic growth.

USAID emphasizes agricultural development and food security, making it a Strategic Objective. The related Performance Goal is to maintain average annual growth in agriculture at a rate that is at least as high as the rate of growth of population in low income countries (USAID 2000, p. 8). Weaver, Rock, and Kusterer (1997, pp. 135-50) argue that agriculture is what most people in developing countries do and the countryside is where they live. Because of the difficulty of generating jobs outside of agriculture rapidly, raising incomes of the poor implies raising productivity in agriculture. Furthermore, the rural sector in many countries has been penalized for many years by import substitution and export taxation policies that favored urban areas. These policies need to be reversed through higher prices for food and export crops, investment in rural health and education, provision of labor-intensive rural infrastructure, financing of adaptive agricultural research, development of labor-intensive rural industry, and building up of appropriate rural marketing, land tenure, credit, information, and governance institutions.

The support for agricultural development among proponents of EPRP is more ambivalent. At one end of the debate, a report for IFAD by the Poverty Research Unit of the University of Sussex (Lipton 2000) stresses the importance of agricultural research, land reform, equitable distribution of water resources, market access, and reform of rural institutions to provide greater voice to the poor. John Mellor has produced substantial evidence for both the World Bank and the DAC Informal Network on Poverty Reduction showing the dramatic impact that investment in agriculture and rural infrastructure could have on poverty reduction (Mellor 2000). This has also been abundantly shown by Peter Timmer (1988) and others for Asia, and there is increasing evidence of its importance for sub-Saharan Africa (Stryker, *et al* 1994). There is also abundant support for agricultural and rural development by many NGOs (Oxfam International 1997).

At the other end, although there is considerable agreement among other proponents of EPRP regarding the importance of the poor having access to rural markets, including markets for land, labor, and capital, there is less attention given to investing in rural infrastructure or strengthening national institutions for agricultural research and the dissemination of research results. In fact, among the proponents of EPRP, there is something of a schism between the strong support for agricultural and rural development advocated by IFAD, FAO, and other organizations concerned primarily with agriculture and the weaker and more restricted support offered by the World Bank, UNDP, and OECD/DAC. For example, as noted earlier, the original International Development Goals (IDGs) were established prior to the World Food Summit in 1996 and therefore did not include the World Food Summit target of halving the number of the world's undernourished by the year 2015. A new formulation, as outlined in Box 2, will be considered in September by the U.N. General Assembly. Clearly, paying attention to agriculture and food security is a vital step, if not the first step, towards reducing poverty.<sup>20</sup>

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<sup>20</sup> Agriculture and food security may not have strong support among all advocates of EPRP. This suspicion is reinforced by the fact that the level of real resources committed to agriculture by the donors has substantially declined. Of particular concern has been the decline in funds devoted to agricultural research and development, despite the very high returns that have been measured in this area. Evenson and Westphal (1995, p. 2274) surveyed studies of rates of return to public agricultural research and found that of the 292 reported annual rates of return, 139 were above 50 percent and only 11 fell below 10 percent. The results were generally higher in developing than developed countries.

## 8. Empowerment of the Poor

Although the study of political economy, i.e. analysis that adequately incorporates issues of power structures and decision-making systems, has been an important consideration by political scientists and political economists since long before the rise of EPRP,<sup>21</sup> there is little mention of empowerment of the poor in source documents on poverty reduction dating from the early 1990s. The overlooking of the multidimensional character of poverty by economists is due in part to the relative scarcity of data addressing empowerment and vulnerability of the poor, access to justice, and so on, as compared to information on income and economic growth. However, the question of power and relationships among empowered vs. unempowered remains central to the problem of global poverty.

In recent times, EPRP puts strong emphasis on empowerment of the poor (OECD/DAC 2000; World Bank 2000e; World Bank 2000b), i.e. increasing the decision-making power of the poor over issues affecting their daily lives. This is seen by some not just as a major goal but as a precondition for poverty reduction. It is to be achieved via, *inter alia*, participatory processes, making government more responsive, and supporting civil society that represents the needs of the poor. Another important element is the removal of the social and institutional barriers that result from distinctions of gender, ethnicity, and social status. Several mechanisms for power devolution have been suggested but none is easy. One involves a movement towards greater democracy, which at least gives the poor the opportunity to have their desires expressed. The limits posed include (1) voter turnout among the poor is often low, (2) none of the candidates may differ much in the attention they pay to the problems of the poor, and (3) much political power is vested in institutional structures and social relations that never pass through the voting booth.

Another way to involve the poor that is frequently mentioned is decentralization of decision-making, including decisions regarding taxes and expenditures. In this respect, national governments that are pro-poor can do much to create an environment that is conducive to increased empowerment of the poor by creating legal systems that are accessible by the poor and by generating a climate favorable to pro-poor action and the establishment of poor people's associations. The poor are also aided by a government that is transparent, accountable, responsive to the citizenry, and as free as possible of corruption and harassment (World Bank 2000e, p. 99).

In SD, there is less explicit focus on giving the poor more voice than there is with EPRP. Rather, the emphasis is broader, on the development of political institutions, civil society, the media, access to information, etc., which encompasses the need to enhance the poor's voice but is not focused specifically on that. USAID's strategic goal with respect to the strengthening of democracy and good governance focuses on the rule of law, respect for human rights, development of politically active civil society, and support for more transparent and accountable

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<sup>21</sup> From the Liberation Theology movement in Latin America and much of the anti-colonialist literature in the 1960s and early 1970s, through *dependencia* literature predominantly coming from Latin American leftist economists, to the more recent world-system analyses and certain critiques of globalization, the emphasis of political economists has been not on how economic processes run parallel to political ones to the disadvantage of the poor, but rather how relations of economy and polity are derived from the same structures of power. In this portrayal, poverty is derived from political processes as much as economic ones.

government institutions (USAID 2000, p. 9). These are all likely to benefit the poor. In particular, the SD approach emphasizes the inclusion of disadvantaged groups in political processes, the enforcement of laws on behalf of disadvantaged groups, the deepening of civil society, and governmental responsiveness at local levels.

## **9. Health and Education**

With the publication of the UNDP's first *Human Development Report* in 1990, the international development community began to take a more systematic look at non-income variables and their relationship to poverty profiles. The UNDP argued that developing countries are not too poor to pay for human development *and* take care of economic growth (UNDP 1990, p. 4). Returns to investments in health and education are often underestimated, and most national expenditure programs could accommodate increased spending on health and education with a reorientation of national priorities. WDR 1990 also supported investments in the "human capital of the poor" via improvements in health, nutrition, and education to break the cycle of poverty (World Bank 1990, pp. 74-89). "The evidence shows that investing heavily in people makes sense not just in human terms, but also in hard-headed economic terms" (World Bank 1991, p. 69).

One of the pillars of EPRP is investment in health and education, or human development as the UNDP calls it. According to both UNDP and UNICEF, extension to the entire population, including the poor, of primary health care, primary school education, and access to safe water and sanitation is so important that it should be undertaken no matter what the level of per capita income or whether there is or is not any economic growth (Mehrotra and Jolly 1998; UNICEF 2000). This is essential for three reasons.

First, health, and education have important value in their own right. They are elements of the welfare function that are generally not very well captured by private consumption since these services are to a large extent offered by the public sector and are financed out of tax revenue rather than user charges, which would be part of private consumption. Furthermore, there is evidence to suggest that health and education are valued very highly by the poor (World Bank 2000e, pp. 15-16).

Second, health and education contribute to increased productivity, higher wages, and greater income, which adds further to poverty reduction. It has been argued, for example, that East Asia invested heavily in health and education even before economic growth began to accelerate, and this contributed strongly to subsequent economic expansion (World Bank 1993b, pp. 192-203). Universal education is seen as the key to helping the poor benefit from the opportunities offered by globalization (Thurow 2001).

Finally, there is strong evidence that the poor obtain access to basic health and education services only after these services are universally available to the entire population. "Children from poor households are generally the last to gain access to basic services, and narrow targeting can seldom overcome this reality" (UNICEF 2000, p. 46). The implication is that if basic health and education services are considered to be an important component of poverty reduction, then substantial investment in these services is necessary before they become available to the poor.

Within USAID's Strategic Plan, health and education receive high priority since both human health and education are explicit strategic goals. With respect to education, USAID objectives

include both an expansion of quality basic education to underserved populations especially for girls and women, and an increase in the contribution that institutions of higher education make to sustainable development. Such investments help to create an environment favoring institutional sustainability and human capital growth.

“As a leading family planning donor,”<sup>22</sup> USAID’s health strategy includes reducing unintended and mistimed pregnancies. Health and nutrition objectives are improvement in infant and child health and nutrition, reduction in infant and child mortality, decrease in maternal mortality, and reduction in the threat of major infectious diseases. With mounting international concern about the HIV/AIDS pandemic, USAID also emphasizes slowing the rate of increase of new HIV infections and reducing HIV transmission (USAID 2000, pp. 14-15). These objectives are consistent with the IDGs. Slowing HIV/AIDS figures prominently in the EPRP literature (World Bank 2000e, pp. 182-83). Improving access to reproductive health services is also important under EPRP, as in the United Kingdom (UK DFID 1997, p. 27) and the World Bank (2001b, para. 10).

## **10. Environmental Sustainability**

The poor are concentrated in rural areas and depend to a large extent for their livelihoods on continued use of renewable natural resources, such as soils, pasture, forests, water resources, and clean air. These resources are renewable, but only if they are used at a rate and under conditions that are sustainable. Unfortunately, these resources are deteriorating in much of the developing world because of growing population pressure and because there is a mismatch between policies that foster agricultural and industrial investment and efforts to safeguard the environment. This leads to excessive soil depletion, erosion, deforestation, overgrazing, overfishing, water and air pollution, vulnerability to natural disasters, and a host of other problems.

Such problems did not receive much attention in the early poverty-focused World Development Reports of 1990 and 1991. WDR 1990 notes that in “resource-poor regions, where poverty and environmental degradation are interrelated... a different approach [is required and] policies that facilitate outmigration are essential” (World Bank 1990, p. 73). However, a full report is devoted to environmental issues in the 1992 WDR.

More recently, the issue of environmental sustainability has been recognized and given high priority by the OECD/DAC Informal Network on Poverty Reduction, partly because the OECD has concerned itself for a long time with environmental issues in other areas, such as global climate change. The IFAD report also stresses the importance of improved land management technology in order to maintain natural resource quality and avoid degradation of the resource base (IFAD 2000/01, pp. 148-55).

USAID is also very much concerned about the long-term sustainability of the world’s environment, which is one of its strategic goals. This concern is expressed in the form of strategic objectives targeted to both global and local resource management issues. The objectives relate to the threat of global climate change, conservation of biodiversity, sustainable management of urban pollution, use of environmentally sound energy services, and sustainable management of natural resources (USAID 2000, p. 16). However, the last is focused primarily on

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<sup>22</sup> According to USAID’s website ([http://www.usaid.gov/pop\\_health/pop/index.html](http://www.usaid.gov/pop_health/pop/index.html)).

preserving forest rather than croplands, rangelands, fisheries, and other renewable resources upon which the poor depend for their livelihoods more than on forests.

### **11. Direct versus Indirect Approaches to Poverty Reduction**

There is considerable debate regarding the benefits of direct versus indirect actions to reduce poverty. By direct action, we mean one in which the change agent, whether that be a representative of government, an NGO, or other involved organization, comes into direct contact with members of the population identified as being poor. Indirect actions are those that aim to benefit certain population groups but for which there is no direct contact. These might include broad enabling actions, such as policies that promote economic growth or create a stronger legal and judicial environment, which benefit the entire population. Or they might be targeted to poor regions or poor members of the population. An example of the latter would be legislation defining the rights of women (OECD/DAC 1999, pp. 3-4). WDR 1990 notes that the public policy framework can work in both indirect and direct ways. It affects incomes indirectly, through the rate of economic growth, while it has a more direct effect on social, or human development, indicators through its effect on the public expenditure program (World Bank 1990, p. 45).

EPRP places greater emphasis on direct interventions to aid the poor as opposed to SD's more indirect interventions to establish an economic, social, political, environmental setting in which sustainable development can occur (USAID 2000, p. 1). For example, the UNDP, in its 2000 Poverty Report, notes that "much of the success of national poverty programs rides on "targeting" benefits to the poor...The human poverty approach shifts the emphasis to specific interventions to address specific deprivations..." (UNDP 2000, pp. 82-83). Direct action is thought to be necessary because there is strong disillusionment with trickle-down as a mechanism for channeling the benefits of growth to the poor. Pro-poor growth, even if it is concentrated on agricultural development in poor rural areas and employs labor-using technology, is held to be insufficient to reduce poverty because the poor do not have adequate access to resources and markets to take advantage of these opportunities (World Bank 2000e, pp. 64-78).

The problem with excessive reliance on direct approaches to poverty reduction is that this limits substantially the number of people who can be reached. Even massive mobilization of development assistance resources is unlikely to reach more than a small fraction of the poor population – all the more so because many poor people live in relatively inaccessible areas. Unless there are substantial secondary spread effects, for example with the spread of new farming methods that are demonstrably superior, the total impact is likely to be minimal. This is beginning to be recognized *even by proponents of EPRP*. Mark Malloch Brown, Administrator of UNDP, for example, notes in his preface to the same 2000 Poverty Report that "...confining poverty programmes to a set of small-scale – often disjointed – projects 'targeted' at the poor is not an effective use of resources." The report goes on to say that UNDP needs to be "...more focused on helping to improve national policy-making and institutions and less dispersed among a myriad of small-scale projects" (UNDP 2000, pp. 5, 8).

Part of the confusion arises because of the tendency to equate "direct" with "targeted" and "indirect" with "untargeted". This equation is unnecessary. It is entirely possible to undertake an indirect action that is highly targeted. An example would be a price subsidy on a food that is



largely consumed by the poor, e.g., barley in Morocco. What is required is some way of linking the action with the impact it has on the target population. While this linkage may be less evident for indirect as compared with direct actions, it also may be much more powerful in terms of the proportion of the targeted population that is impacted.

Another problem with putting too much emphasis on direct approaches to poverty reduction is that the development community has much more experience with promoting growth and development than it does with empowering the poor or reducing social exclusion (Crosswell 2000). There is a risk associated with social experimentation in a field where knowledge is very incomplete. Although promoting growth and development as a means of reducing poverty may seem slow and untargeted, in the long run it may prove to be more effective. In fact, few believe that the substantial decrease in poverty that occurred in East and Southeast Asia during the past 25 years, the recent financial crisis notwithstanding, was not intimately associated with the very rapid rates of economic growth those countries experienced during the same time period. The World Bank has estimated that the elasticity of poverty reduction with respect to growth is between 3.0 and 1.5, depending on the existing distribution of income. Only in very unusual cases is growth in average per capita income associated with anything other than a growth in per capita income of the bottom twenty percent of the population (World Bank 2000e, pp. 46-48).

## **12. Policy Coherence**

“Policy coherence” refers to the consistency of policy objectives and instruments applied by OECD governments, individually or collectively, in light of their combined effects on developing countries, and especially their impact on poverty reduction (DAC 2000, Vol. II, p.2). Many of the key recommendations found in documents by UNDP, DFID, and other agencies echo those made within the OECD/DAC regarding the need for policy coherence to assure that the national policies and international agreements made by the richer countries do not run counter to efforts to reduce poverty throughout the world. Chapter IV of the *DAC Guidelines* makes the following link between globalization and policy coherence:

Policy coherence has to be looked at in the overall context of the process of globalisation. Rapid growth in the movement of people, goods, services, capital, technology and information across national borders is creating an increasingly integrated global economy. This is the core meaning of globalisation, and it has led to a world that is more interconnected and interdependent than ever before. This increasing openness and integration of the world economy is creating conditions that could make possible a massive reduction in poverty across the world. Globalisation is creating huge wealth and has the potential to generate benefits for all. However, this will only happen with purposeful policy action by the international community and by governments ...

The lead responsibility for addressing this challenge rests with the governments of developing countries. However, greater policy coherence between OECD government policies is essential for enabling developing countries to take advantage of the processes of globalisation and to reduce poverty. Globalisation requires OECD governments, more than ever before, to take account of the broader development objectives in all policies and external relationships. (OECD/DAC 2001b, pp. 81-82)

The *Guidelines* then go on at some length to discuss the need for policy coherence in six major areas: international trade and foreign direct investment, international finance, food and

agriculture, natural resources and environmental sustainability, social issues, and governance and conflict.<sup>23</sup>

These themes are not new. WDR 1990 explores international factors which can influence poverty. Chief among those considered were industrial country protectionism, debt burdens, and donor country policies regarding development aid (World Bank 1990, pp. 121-137).

USAID has played an important role in promoting the concept of policy coherence within the OECD member community by commissioning the drafting of the report on policy coherence that was incorporated into the OECD/DAC *Guidelines* (OECD/DAC 2001b). However, in USAID's Strategic Plan, the subject of policy coherence is treated in a very limited way, is not related explicitly to poverty reduction, and is buried within the management goal of remaining a premier bilateral development agency. One Performance Goal under USAID's management goal is expansion of contacts and cooperation between USAID and other U.S. government foreign affairs agencies; another is expansion of the OECD agenda of agreed development priorities (e.g., International Development Goals). One relevant indicator is consistency of objective statements across strategic plans of U.S. executive agencies concerned with sustainable development. This is all that is said about policy coherence.

## CONCLUSIONS AND NEXT STEPS

This section summarizes the conclusions resulting from the comparison of official documentation and conceptual background material related to EPRP and SD. It also poses questions regarding implementation of these approaches and where this may conflict with the conclusions of the analysis. Finally, it proposes next steps to be taken to answer these questions and to test the robustness of the conclusions and their relevance in the field.

### ***Conclusions***

The comparison of the EPRP and SD approaches to poverty reduction, in light of the experience of the eight case-study countries, leads to a number of tentative conclusions regarding each point of comparison. These judgements, however, need to be considered in light of how the approaches are implemented at headquarters and in the field.

***Importance of Economic Growth.*** Both approaches agree that economic growth is important, but there are differences with respect to (1) the form that it should take, and (2) the extent to which it is considered to be essential. The proponents of EPRP argue that economic growth, to be effective in reducing poverty, must be pro-poor. A pro-poor pattern of growth could be characterized by EPRP as (1) improved access by the poor to land, credit, and human capital; (2) focusing on sectors and regions with the greatest poverty impact; and (3) labor-intensive forms of production. SD argues that economic growth should not be highly targeted to the poor. Rather it should be promoted through the establishment of a policy environment and institutional structure that encourages growth and facilitates access by all to the benefits of that growth. The

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<sup>23</sup> Weaver, Rock, and Kusterer discuss some of these issues in their chapter on international economic order and its effects on efforts to achieve SD (Weaver, Rock, and Kusterer 1997, pp. 263-79).

only targeting of the poor is through education, training, and other means of expanding access by the poor to economic opportunity.

Another important difference between the two approaches lies in the relative priority given to economic growth. SD is unequivocal regarding the essential importance of economic growth in reducing poverty. Without economic growth there are neither the opportunities for the poor to be employed nor the resources necessary to finance their access to health and education services, including schools, clinics, safe water, and sanitation. In contrast, among the proponents of EPRP, some consider economic growth to be crucial but others give it lesser priority. UNDP and UNICEF, for example, emphasize the need for investment in health and education even at low levels of per capita income and in the absence of economic growth, at least in the short run.

***Central Role of Poverty Reduction.*** While both approaches contribute to the reduction of poverty, and seven out of 34 of USAID's Performance Goals are similar to the International Development Goals embraced by EPRP, there is a sharp contrast between EPRP and SD with respect to the priority assigned to the goal of poverty reduction. SD concentrates on country-level interventions to provide an environment that will result in poverty reduction, while EPRP specifically targets the poor in its approach. EPRP also has a much more explicit focus on poverty reduction and decreased income inequality as overarching goals, which it justifies in terms of the ethical and moral unacceptability of global poverty. USAID's interpretation of SD in its Strategic Plan emphasizes economic growth which is broad-based and sustainable, with only two out of 23 objectives related specifically to poverty reduction. Furthermore, USAID's Strategic Plan is justified primarily on the basis of its furtherance of U.S. national interests rather than the unacceptability of global poverty.

***Definition and Measurement.*** Establishing poverty reduction as an overarching goal helps to define and measure progress towards achieving that goal. Despite the difficulties involved in reaching agreement on the dimensions of poverty to be considered and the weights to be attached to those dimensions, these difficulties pale in comparison with those related to agreeing upon an explicit definition of broad-based sustainable development and whether that development is or is not being achieved. USAID's interpretation of SD sidesteps this issue by setting forth a plethora of strategic goals, objectives, performance goals, and indicators without any clear linkages among them or indication of how they are linked with any ultimate goal. What, for example, constitutes "success", when there is no system for weighting or comparing different goals and objectives?

***Increased Openness.*** SD and EPRP differ with respect to the degree to which they espouse openness to trade, capital, and information flows. SD is firmly in favor of openness; EPRP has reservations regarding its potential for instability and adverse effects on the poor. On balance, the evidence suggests that the wariness of EPRP is warranted. There is a need to assure that institutions are in place to decrease the vulnerability of developing nations to the vicissitudes of the global economy and to enable the poor to benefit from that economy and not simply become more marginalized.

***Poverty Reduction and the Role of Government.*** Both EPRP and SD highlight the need for increased accountability, improved transparency, greater democracy, and enhanced governance. EPRP acknowledges national and local government as important instruments for poverty reduction. Explicit acknowledgement within USAID's Strategic Plan of the role of government

in reducing poverty is confined to establishing a policy and LRJ environment, education and training, and environmental management. It does not explicitly include government services other than education. Neither approach goes very far in understanding the importance of political power relationships and the potential limitations of government as an instrument for poverty reduction, though EPRP at least indicates some of the paths that could be followed to harness government support.

***Vulnerability of the Poor.*** EPRP points to the need to decrease the vulnerability of the poor by establishing effective, long-term safety nets. Some of these are required to prevent people from sliding further into poverty as a result of the vicissitudes of ordinary life; others are needed to cushion those that are most vulnerable from the worst effects of natural or man-made disasters. EPRP is also concerned with the prevention and management of economic crisis and natural disaster in ways that protect the poor. SD, on the other hand, has concentrated on responding to disasters in an essentially reactive way rather than trying to anticipate the effects of the disaster in advance, though that is changing with new focus on crisis prevention.

***Agricultural Development.*** Both EPRP and SD indicate that agricultural and rural development is important, but they are ambiguous as to how it is to be achieved. USAID is much clearer than EPRP in its support for agricultural development, with an objective in its Strategic Plan that explicitly highlights the need to encourage more rapid and enhanced agricultural development and food security. With EPRP, there is more ambivalence regarding the importance of agriculture and rural development. IFAD, FAO, and other organizations directly concerned with agriculture are strong proponents, and the World Bank, UNDP, and OECD/DAC are much less strongly and more narrowly focused in their support.

***Empowerment of the Poor.*** There are substantial differences between the EPRP and SD approaches regarding empowerment of the poor. For EPRP, directly increasing the decision-making power of the poor over issues affecting their daily lives is a major goal, perhaps even a precondition, for poverty reduction. SD, on the other hand, stresses rule of law, human rights, credible and competitive political processes, politically active civil society, and transparent and accountable government institutions. While these may lead to a freer and more open society, in the face of entrenched political interests and unless power relationships are explicitly addressed, it is unclear to what extent they will result in greater empowerment of the poor.

***Health and Education.*** Both EPRP and SD emphasize basic health and education services. Two strong proponents of EPRP, UNDP and UNICEF, are especially vociferous regarding the need for universal access to health and education services, which may be the only way to assure access by the poor. SD, on the other hand, is less clear on the importance it attaches to the goal of universality. USAID objectives include building the capacity of institutions of higher learning in addition to expanding access to quality basic education, especially to girls and women. SD deals much more explicitly than EPRP with reproductive health as an avenue to improved health and well-being.

***Environmental Sustainability.*** Both SD and EPRP proclaim the importance of environmental sustainability, but there is confusion surrounding just what this means and how specific actions to promote sustainability translate into poverty reduction. EPRP recognizes that environmental strategies must be woven into sustainable livelihood strategies for the poor, but the degree of emphasis on environmental sustainability varies greatly among donors subscribing to EPRP.

USAID's Strategic Plan emphasizes the goal of preserving the global environment and the world's natural resources. There is some indication that USAID field missions may be more concerned with sustaining the livelihoods of the poor by preserving the renewal natural resource base upon which they depend, but this needs to be verified in the field.

***Direct versus Indirect Approaches.*** Because of concern that economic growth and other indirect approaches may not reach the poor, emphasis of EPRP has shifted towards direct interventions. SD, as embodied in USAID's Strategic Plan, emphasizes economic growth and other indirect interventions to establish the economic, social, and political environment for poverty reduction. Even with careful targeting, the number of poor people that can be reached using direct interventions is far fewer than those that can be impacted indirectly. Careful targeting can also be used with indirect approaches to assure that interventions are effective (reach large numbers of the poor) and efficient (do not supply numerous unintended benefits to the non-poor).

***Policy Coherence.*** EPRP and SD each supports efforts to assure that national policies within and international agreements among the industrial countries are coherent with each other. EPRP is much more explicit in relating this to poverty reduction, however, with an entire chapter in the OECD/DAC *Guidelines* devoted to this subject and with DFID also being a very strong advocate. This is in recognition of the fact that, where there is lack of coherence, the impact on the poor may easily overwhelm the effects of development assistance. The subject of policy coherence is treated in a very limited way by USAID, is not related explicitly to poverty reduction, and is buried within the management goal of remaining a premier bilateral development agency.

## ***Next Steps***

The conclusions summarized above point to a number of areas in which SD and EPRP overlap substantially and other areas where they differ. All of this analysis, however, is based primarily on the conceptual underpinnings and strategic documents that serve as the foundation of each approach. Although there has been some application of the comparisons to eight case-study countries, this analysis is based on secondary data. Furthermore, the analysis applies to the developing countries themselves and not to donor operations in those countries. The conclusions of the analysis, therefore, need to be tested in the field.

The implementation of country strategy plans is influenced not only by strategies prepared at headquarters but also *inter alia* by the circumstances and priorities of partner countries, the budgetary resources available to country missions, and programs and priorities of other development donors with which USAID missions may try to coordinate their own country strategy. The importance of these and other constraints needs to be looked at in the field. USAID missions are aware of the evolving international debate regarding poverty reduction priorities but they are not sure of the implications of this debate for their own programs. A greater understanding of the implementation issues faced by USAID field missions as they try to accommodate Agency strategic planning in the context of this debate will do much to clarify how USAID field programs can best be adjusted to take into account any changes made in Agency-wide priorities regarding poverty reduction.

During the next phase of the research, four case studies will be undertaken, which will examine the strategic approaches to poverty reduction adopted by the partner country, the major

international donors such as the World Bank, and the USAID country mission. Countries will be chosen in which there is a strong commitment to poverty reduction that is consistent with the EPRP approach. The USAID mission in these countries must also accept the goal of poverty reduction, though they will pursue it using the SD approach based on the mission's approved Strategic Plan. The study will examine the two approaches from the perspective of both conception and implementation.

The work will begin with a review of available documentation regarding country strategies and results. Field visits will be structured around a series of interviews with USAID mission personnel (directors, programs, strategic objective program heads, and possibly with a sample of key contractors in the field). In addition, the team will discuss poverty reduction conception and implementation with other key players in the partner country, including heads of poverty reduction units in local government ministries, resident representatives of other donors, and others concerned with reduction of poverty in the partner country.

The team will examine the congruence of the USAID mission's program with the Agency's Strategic Plan, with the DAC's Poverty Reduction *Guidelines*, with the partner country's PRSP or equivalent guiding document with regard to poverty reduction, with the World Bank's Comprehensive Development Framework, and with other donors' program documents. The team will also examine funding levels and modalities with respect to local program implementation.

Finally, the team will evaluate which elements of SD or EPRP appear to be most effective in reducing poverty, using the twelve points of comparison as a framework. For example, the following questions might be posed within this framework:

- To what extent is more rapid economic growth being pursued as a basic condition for poverty reduction? How is the pattern of economic growth being influenced in a pro-poor direction? In a broad-based direction? What are the resources being allocated to this goal in comparison with others such as basic health and education? How successful has the growth strategy been?
- Is there a clear overarching goal of poverty reduction subscribed to by the partner country and the major international donors? How does the USAID mission relate to this goal? Is there a program in place to achieve this goal and how does the USAID mission relate to this program? Is poverty reduction fully integrated into the overall development effort or is it more of an add-on? Is there a goal to improve relative income equality? How closely is the country working with the multilateral donor community to prepare poverty reduction strategy papers and how does this relate to its acceptability for debt relief?

- Is there a process in place for defining poverty, identifying the poor, determining causes, choosing interventions, monitoring progress, and evaluating effectiveness? How does the USAID mission participate in this process? What types of interventions are emphasized by USAID and other donors for reducing poverty (interventions to create economic opportunity, empower the poor, improve security/reduce vulnerability, etc?) How important has each intervention been? Does the country monitor progress toward achieving the poverty reduction goals? If so, what criteria does it use to evaluate progress? Does the country try to evaluate the contribution of different interventions towards poverty reduction? How does USAID integrate this effort at monitoring and evaluation with its own performance monitoring and evaluation?
- What has been the country's strategy with regard to openness of trade, capital, and information flows? With what results? How has the USAID mission supported this strategy? How has openness affected the vulnerability of the country to changes in the terms of trade, fluctuations in flows of short-term capital, and other sources of uncertainty? What has been the impact on the poor? What has USAID done to help assure that the poor benefit from and are not injured by increased openness?
- What has been the role of government in supporting poverty reduction within the country and how has this been linked with the relative distribution of income, wealth, and political power? What measures have been taken to assure the government's responsiveness towards the needs of the poor? How has all of this influenced USAID's development assistance program and its relations with the government? With civil society? With the poor?
- What is the degree of vulnerability of the poor to shocks resulting from sickness, loss of employment, drought, and other disturbances? What mechanisms, if any, exist to provide safety nets for the poor over the longer run? What mechanisms exist to avoid crisis and natural disaster and to mitigate them and their effects if they should occur? Is assistance essentially reactive or proactive? What has been USAID's role in insulating the poor from adverse shocks to their well being? What form has this assistance taken (e.g. humanitarian disaster assistance, emergency food aid, food-for-work programs)?
- How important is agriculture for poor people in the partner country? Has the country assigned priority to agriculture and rural development? Using what means? With what results? How has USAID contributed to agriculture and rural development? What percentage of its development assistance has flowed into this sector?
- What is the position of the poor with respect to their political empowerment? Has there been an effort to increase that empowerment by listening to the poor? Using what mechanisms? How has USAID participated in this process? Has its program in democracy and governance contributed to increased empowerment of the poor? If so, how has this been accomplished and measured?
- What is the current situation regarding basic health and education? Has the country emphasized services related to basic health and education? With what results? How has USAID contributed to this effort? What has been the share of its support for primary education in proportion to all education? In proportion to its total development assistance budget? Does the partner country have an active family planning program? Is this program supported by USAID, and to what degree? By other donors?
- Have there been efforts to ensure environmental sustainability for the poor and their livelihoods? Using what means? With what results? What has been USAID's program on the environment? How much of this program is related to support for sustainable livelihoods?

- In the recent past, which has been more important in achieving poverty reduction, direct or indirect approaches? Is there evidence that the balance has shifted recently towards use of direct approaches over indirect approaches as a result of establishing a poverty reduction program? With what results? What are the proportions of USAID's program that go for direct versus indirect approaches to poverty reduction? How effective have each been?
- Is there a mechanism for examining the coherence of donor policies for their linkages to poverty reduction? Do trade and aid policies come into conflict? How is food security in the partner country affected by OECD country policies on agricultural support programs, export subsidies, and food aid? Is the partner accurately articulating its position within the WTO? With what effect? Do international efforts to safeguard environmental assets work to reduce poverty among the affected rural poor, or do they sometimes worsen the situation? Is the dialogue between the partner and the donor community sufficiently open that delicate questions of policy coherence on both sides can be identified and addressed? What is USAID's position on all of this?

This is just a beginning. Some of these questions may be developed further into testable hypotheses, although many analytic issues arise in attempting to disentangle program effects. However, these illustrate the kinds of questions that need to be asked to assess the effectiveness of the SD approach, as implemented by USAID in the partner country, in comparison with the EPRP approach, which is being implemented by the partner country with support from other donors. Detailed field studies in about four countries, if carefully chosen, will yield valuable insights into the effectiveness of the two approaches to poverty reduction.



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## **Annex A: Comparing Implementation of EPRP of Various Donors**

### ***Annex A-1: UNDP's Human Development Approach***

For the U.N. Development Program (UNDP), the goal is human development, i.e. the process of enlarging people's choices as well as increasing the level of their achieved well-being. The greatest contributions of the UNDP's Human Development Reports have been both conceptual and practical. On the conceptual level, the HDRs have been strongly multidimensional, have incorporated an important element of gender sensitivity, and have spoken less of the need to reduce or eliminate poverty and more of the need to increase people's choices and empowerment.

Along with conceptual arguments, the HDR has developed several multidimensional tools for measuring human development progress which go beyond household income. In 1990, the UNDP introduced the Human Development Index (HDI) to measure human development progress. This incorporated three basic dimensions: longevity, knowledge, and a decent standard of living, measured by national average life expectancy, educational attainment, and a nonlinear measure of income. Over the last ten years, several additional indicators have been created to nuance the HDI: the gender-related development index (adjusting the HDI for gender-related disparities), the gender empowerment measure (measuring gender inequality in economic and political opportunities), and the human poverty index (modifying the HDI to look at deprivations in each of the three indicators).

In its 1999 Human Development Report, entitled "Globalization with a Human Face," the UNDP accentuates the rising inequalities it sees ensuing from globalization, which influence access to foreign direct investment, export opportunities, new technologies, and new opportunities for employment that depend on access to higher education. The report calls for improved governance at local, national, regional, and global levels, "to ensure that globalization works for people – not just for profits." Seven key challenges are summarized here, while key policy actions are elaborated in Table 1:

- strengthen policies and actions for human development, and adapt them to the new realities of the global economy;
- reduce the threats of financial volatility – of the boom and bust economy – and all their human costs;
- take stronger global action to tackle global threats to human security;
- enhance public action to develop technologies for human development and the eradication of poverty;
- reverse the marginalization of poor, small countries;
- remedy the imbalances in the structures of global governance with new efforts to create a more inclusive system; and
- build a more coherent and more democratic architecture for global governance in the 21<sup>st</sup> century.



**Table 1: 1999 UNDP Strategic Framework for Human Development in Era of Globalization**

Key Challenges	Specific Actions
1. Strengthen policies and actions for human development, and adapt them to the new realities of the global economy.	<ul style="list-style-type: none"> <li>• Promote labor market flexibility</li> <li>• Improve fiscal resources of states for productive social investments</li> <li>• Restore commitments to preserve time, resources, rewards for care &amp; restoring gender balance in distribution of costs &amp; burdens</li> <li>• Support cultural diversity</li> <li>• Rethink social safety net policies</li> </ul>
2. Reduce the threats of financial volatility – of the boom and bust economy – and all their human costs.	<ul style="list-style-type: none"> <li>• Liberalize capital accounts more carefully</li> <li>• Subject financial institutions to greater transparency and accountability</li> <li>• Integrate macroeconomic management &amp; social policies to reduce impact of financial turmoil and minimize social costs</li> <li>• Strengthen international action to regulate &amp; supervise banking systems</li> <li>• Institute standstill provisions on debt servicing</li> <li>• Develop better early warning &amp; crisis management institutions</li> <li>• Establish an international lender of last resource for people</li> </ul>
3. Take stronger global action to tackle global threats to human security.	<ul style="list-style-type: none"> <li>• Promote transnational cooperation to fight global crime</li> <li>• Protect cultural diversity</li> <li>• Promote global cooperation to fight environmental degradation</li> <li>• Formulate labor codes of conduct for multinational corporations to safeguard workers' rights</li> <li>• Promote global cooperation in fight against HIV/AIDS</li> </ul>
4. Enhance public action to develop technologies for human development and the eradication of poverty.	<ul style="list-style-type: none"> <li>• Review TRIPS agreement's impact on intellectual property rights of developing countries</li> <li>• Broaden governance of global communications to embrace interests of developing countries</li> <li>• Increase public investments in technologies for needs of poor people and poor countries</li> <li>• Raise funds to help improve access to information technologies</li> </ul>
5. Reverse the marginalization of poor, small countries.	<ul style="list-style-type: none"> <li>• Promote adoption of coordinated policies within developing countries, on sound macroeconomic management, human capabilities, incentives, and governance</li> <li>• Promote developing countries' participation in negotiation of global agreements</li> </ul>
6. Remedy the imbalances in the structures of global governance with new efforts to create a more inclusive system.	<ul style="list-style-type: none"> <li>• Provide legal aid to developing countries to enable them equal access to WTO dispute settlement mechanisms</li> <li>• Appoint an ombudsman to respond to grievances and investigate injustices</li> <li>• Support policy research in developing countries</li> <li>• Promote greater reliance on regional solidarity and institutions to develop common positions for international negotiations</li> <li>• Institute a world anti-monopoly authority to monitor and implement competition rules for the global market</li> <li>• Establish a taskforce on global economic governance</li> <li>• Establish a joint UN-World Bank taskforce to investigate global inequalities and suggest action plan</li> </ul>
7. Build a more coherent and more democratic architecture for global governance in the 21 <sup>st</sup> century.	<ul style="list-style-type: none"> <li>• Strengthen the United Nations with respect to equity and human concerns</li> <li>• Create global central bank and lender of last resort</li> <li>• Strengthen the WTO (global antitrust authority, code of conduct for multinational corporations)</li> <li>• Create world environment agency</li> <li>• Create world investment trust with redistributive functions</li> <li>• Establish international criminal court with broader mandate for human rights</li> <li>• Broaden the UN General Assembly to a two-chamber system to allow for civil society representation</li> </ul>

## ***Annex A-2: World Bank's Approach to "Attacking Poverty"***

The World Bank's poverty reduction paradigm has been evolving over the last ten years. The 1990 World Development Report called for a three-pronged poverty reduction program which emphasized the expansion of economic opportunities, particularly via labor-intensive, export-oriented growth, coupled with improvement in access to social services and the provision of social safety net schemes to protect the poorest and most vulnerable.

In response to mounting concerns about impoverishment as a result of the Asian financial crisis of 1997-98, the World Bank's Comprehensive Development Framework was developed to emphasize good governance, regulatory and institutional fundamentals essential to a workable market economy, social inclusion, public services and infrastructure, and environmental and human sustainability, along with sound macroeconomics and trade openness.

With the much heralded arrival of the 2000/2001 World Development Report "Attacking Poverty," where does the World Bank now come out? The latest pronouncement of Bank thinking on poverty reduction stresses three themes:

- promoting opportunity,
- facilitating empowerment, and
- enhancing security

and notes that these are quite complementary and presented without any "hierarchy of importance." Table 2 presents suggested areas for action as outlined in the WDR 2000/2001.

The Bank measures poverty in a number of ways: looking at income poverty by focusing on monetary income or consumption data, examining deprivation by tracking health and education indicators, and measuring voicelessness and powerlessness by using participatory methods to capture qualitative information on such things as civil and political liberties.

In addition, the Bank has been grappling with the need to track vulnerability (but concludes that it is neither feasible nor desirable to try to capture this in one indicator) and the multidimensionality of poverty. However, it refrains from accepting the HDI family of indicators, stating that most composite indices available today are inadequate or hampered by lack of longevity of focus. Kanbur and Squire (1999) argue that a multidisciplinary approach implies the need for multidisciplinary strategies, but not a multidisciplinary measurement, given the great degree of overlap among distinguishing features of poverty. That is, someone who is income-poor is likely also to suffer from poor health, illiteracy, lack of empowerment, and increased vulnerability. The WDR 2000/2001 also notes that absolute poverty measures differ from relative poverty concepts, which measure the distribution of resources required to enjoy living standards which are considered locally relevant. It also explores regional, intra-national, gender, caste/ethnicity/indigenous status, and household dispersion patterns.

If the 1990 WDR emphasized labor-intensive, export-oriented economic growth as "the" primary strategy for alleviating poverty, then what does the 2000/2001 WDR's balancing of opportunity, empowerment, and security objectives say about the World Bank's commitment to economic

growth? A careful reading of the Bank's language in Part II on Opportunity suggests that the institution has not abandoned its belief in the importance of growth – but rather has nuanced its understanding of the various factors which affect how growth influences poverty.

Based on a wealth of recent research, carried out within and across countries using micro living standards and more aggregate data, cross-country differences in the “poverty-growth nexus” are seen to be function of complex interactions among variables such as initial conditions regarding asset distribution, sectoral focus of growth strategies, institutional and policy environments, geography and environmental management, and governance issues affecting the voices of the poor and marginalized populations as public policies which affect their lives are debated. Thus, the World Bank's approach is now more balanced, with a commitment to empowerment included along with its earlier emphasis on growth and social services (now “opportunity”) and safety nets (now “vulnerability”).

The Bank is careful to underscore that “[t]here is no simple, universal blueprint for implementing this strategy[,rather that d]eveloping countries need to prepare their own mix of policies to reduce poverty, reflecting national priorities and local realities” (World Bank 2000d, p. 7). The Bank also adds that while local strategic choices are important, the policy decisions and ensuing actions of developed countries and multilateral organizations also bear crucially on outcomes which affect poor people's lives.

One of the key international actions in which the World Bank and its neighboring institution, the International Monetary Fund, are jointly undertaking is the debt relief initiative for highly indebted poor countries (HIPC). The purpose of this initiative is to reduce external debt burdens for the world's poorest countries, so that they can focus their limited resources on poverty reduction, according to a clearly articulated national strategy. Twenty-two countries having been qualified by the Executive Boards of the World Bank and IMF for debt relief,<sup>24</sup> attention is now being focused on the establishment of poverty reduction strategy papers (PRSP), which are to be developed by local governments with broad participation of civil society, key donors, and regional development banks. Assistance will also be provided by the Bank and Fund to develop PRSPs.

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<sup>24</sup> As of December 2000, debt relief has been finalized for Benin, Burkina Faso, Cameroon, The Gambia, Guinea, Guinea-Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Tanzania, Uganda, Zambia, Bolivia, Guyana, Honduras, and Nicaragua.

**Table 2: 2000/2001 World Bank Approach to Poverty Reduction**

<b>Key Strategic Elements</b> <b>• Accompanying Local &amp; National Actions</b>	<b>• Complementary International Actions</b>
<i>Promoting opportunity:</i> <ul style="list-style-type: none"> <li>• Encourage effective private investment</li> <li>• Expand into international markets</li> <li>• Build the assets of poor people</li> <li>• Address asset inequalities across gender, ethnic, racial, and social divides</li> <li>• Get infrastructure and knowledge to poor rural and urban areas</li> </ul>	<ul style="list-style-type: none"> <li>• Open markets more completely to imports from poor countries</li> <li>• Strengthen developing countries' ability to pursue poverty reduction by increasing aid flows to countries with sound policy environments</li> <li>• Finance Enhanced HIPC Initiative</li> </ul>
<i>Facilitating empowerment:</i> <ul style="list-style-type: none"> <li>• Lay the political and legal basis for inclusive development</li> <li>• Create public administrations that foster growth and equity</li> <li>• Promote inclusive decentralization and community development</li> <li>• Promote gender equity</li> <li>• Tackle social barriers</li> <li>• Support poor people's social capital</li> </ul>	<ul style="list-style-type: none"> <li>• Allocate aid to country-driven, results-oriented poverty reduction programs, developed with civil society and private sector agents</li> <li>• Give greater voice in international fora to poor people and poor countries</li> <li>• Ensure full transparency of strategies and actions of international financial institutions</li> <li>• Maintain open, regular dialogue with civil society organizations</li> <li>• Support ongoing global coalitions of poor people</li> <li>• Encourage adherence by multinational corporations to ethical investment practices and labor codes of conduct</li> </ul>
<i>Enhancing security:</i> <ul style="list-style-type: none"> <li>• Formulate a modular approach to helping poor people manage risk</li> <li>• Develop national programs to prevent, prepare for, and respond to macro shocks of both a financial and natural nature</li> <li>• Design national systems of social risk management that are also pro-growth</li> <li>• Address civil conflict</li> <li>• Tackle the HIV/AIDS epidemic</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen international financial architecture and improve its management to lessen economic volatility</li> <li>• Provide more public support for international public goods (e.g., medical and biotechnology research)</li> <li>• Support international action to protect the environment</li> <li>• Work to stem armed conflict by taking measures to reduce the international arms trade, promote peace, and support physical and social reconstruction after conflict ends</li> </ul>



### ***Annex A-3: OECD/Development Assistance Committee***

The Development Assistance Committee's Informal Network on Poverty Reduction was created in response to the articulation in the OECD's *Shaping the 21<sup>st</sup> Century* of international development goals and a vision of development cooperation involving partnership between developing country governments, their civil societies, and development donors. The Network is now finalizing *Guidelines* on poverty reduction for its members, which are the bilateral development donor agencies (OECD/DAC 2001b).

The DAC *Guidelines* provide both a conceptual framework and institutional and management guidelines for addressing poverty reduction. They also map out what a coherent set of aid and non-aid policies should look like to ensure that members' poverty reduction efforts are not undermined by incoherent policies and international agreements in other public policy areas.

The *Guidelines'* conceptual framework concurs with the capabilities deprivation notion of poverty, and acknowledges the multidimensionality of the concepts and thus actions which need to be considered for effective poverty reduction. It assesses causes of poverty, identifies policy actions which can address these causes, and then highlights expected outcomes. Gender and environment are seen as cross-cutting themes woven throughout the protective, political, socio-cultural, human, and economic dimensions of well-being and poverty. Measurement of poverty and deprivation is considered at a range of levels, from simple to complex, depending on the multiplicity of variables one wishes to consider as proxies for the various dimensions of deprivation.

In building poverty reduction strategies, country-donor partnerships are expected to assess causes relevant in the local context, and then formulate an action plan to redress these. A matrix highlights possible actions in six policy areas:

- economic policy reform;
- empowerment, rights, and pro-poor governance;
- improving access to and quality of basic services;
- mainstreaming gender equality;
- promoting sustainable livelihoods; and
- preventing and managing shocks and violence.

These are illustrated in greater detail in Table 3. Additionally, the *Guidelines* also argue that debt relief must be an integral part of the international community's contribution to poverty reduction.

The *Guidelines* pay a good deal of attention to partnership modalities. Having assessed best practices in poverty reduction among donor agencies in a review of donor agency experiences (OECD/DAC 1999), the *Guidelines* offer rules of thumb for effective and pragmatic liaisons between national and local stakeholders and donors, and among donors, as efforts move forward

under various institutional guises to prepare poverty reduction strategies for different institutional clients.<sup>25</sup>

The *Guidelines* are concerned about institutional capacity and change within development agencies. They argue in favor of clearer leadership on poverty reduction goals, stronger institutional learning and feedback to mainstream poverty reduction objectives into institutions, and revised incentives to staff that reward performance according to results.

Finally, the *Guidelines* discuss the importance of achieving coherence between the goal of poverty reduction and the national policies and international agreements of the OECD member governments, which go far beyond the purview of the development assistance agencies. Specific problems of lack of coherence are discussed with respect to six major areas: international trade and foreign direct investment, international finance, food and agriculture, natural resources and environmental sustainability, social issues, and governance and conflict. Some of the lessons from the experience of OECD members with policy coherence are reviewed.

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<sup>25</sup> The *Guidelines* mention *Poverty Reduction Strategy Papers* (World Bank/IMF), the *Comprehensive Development Framework* (World Bank), *National Strategies for Sustainable Development* (several bilateral donor agencies), the United Nations Development Assistance Framework's *Common Country Assessments*, and national level *Medium-Term Fiscal Frameworks*.

**Table 3: OECD/DAC Conceptual Approach to Poverty Reduction**

<b>Policy action:</b> <ul style="list-style-type: none"> <li>typical entry points</li> </ul>	<b>Causes:</b>	<b>Outcomes:</b> <p><b>Capabilities to be built</b></p> <ul style="list-style-type: none"> <li>typical indicators</li> </ul>
<p><b>Economic policy reforms:</b></p> <ul style="list-style-type: none"> <li>good economic governance: predictable, open policy making</li> <li>macro-economic stability</li> <li>measures to counter urban bias/promote agricultural growth</li> <li>pro-active management of global integration</li> <li>asset creation and redistribution</li> <li>targeted measures to increase access/remove market distortions</li> </ul> <p><b>Empowerment, rights and pro-poor governance:</b></p> <ul style="list-style-type: none"> <li>rule of law under democratic governance</li> <li>legal and advocacy work on human rights</li> <li>support for civil society and citizenship rights</li> <li>promotion of economic and social rights of/for the poor</li> <li>community capacity building for enforcement of rights</li> </ul> <p><b>Improving basic services: quality and access:</b></p> <ul style="list-style-type: none"> <li>prioritised national anti-poverty and gender-sensitive budgets and expenditure-management</li> <li>intra-sectoral allocation of resources and creation of incentives to improve services</li> <li>building political support for social security and welfare arrangements</li> </ul>	<p><b>Economic structures:</b></p> <ul style="list-style-type: none"> <li>rates and sectoral patterns of investment and growth</li> <li>structure of world trade (donor policy incoherence)</li> <li>inequality of asset distribution by class and region</li> <li>unequal access to markets and services</li> <li>labour market rigidities</li> <li>gender divisions of labour and institutional biases</li> <li>unsustainable resource use</li> </ul> <p><b>Demographic patterns:</b></p> <ul style="list-style-type: none"> <li>delayed demographic transition, frequent pregnancies</li> <li>AIDS</li> <li>geographic isolation</li> </ul> <p><b>Public goods and services:</b></p> <ul style="list-style-type: none"> <li>delivery of public goods and services is corrupt and ineffective</li> <li>class, gender and ethnic biases in uptake of services</li> <li>limited access and very low quality services for poorest</li> </ul>	<p><b>Economic capabilities:</b></p> <ul style="list-style-type: none"> <li>incidence, depth and severity of household consumption-poverty (household surveys)</li> <li>asset portfolios of poorest (household surveys)</li> <li>consumption shares and time-use of men and women (in-depth case studies)</li> </ul> <p><b>Human capabilities:</b></p> <ul style="list-style-type: none"> <li>stunting and wasting</li> <li>infant and child mortality</li> <li>maternal mortality</li> <li>HIV prevalence</li> <li>community-based disease monitoring indicators</li> <li>literacy</li> <li>gender balance in schools</li> </ul> <p><b>Political capabilities/empowerment:</b></p> <ul style="list-style-type: none"> <li>self-assessed powerlessness (participatory poverty assessments)</li> <li>ethnographic observation of local power relations and their dynamics</li> </ul>
<p><b>Mainstreaming gender equality</b></p> <ul style="list-style-type: none"> <li>legal and educational work on women's rights, including sexual and reproductive rights</li> <li>poverty and gender-sensitive outreach services in agriculture, education and health</li> <li>support for advocacy on time poverty</li> </ul>	<p><b>Entitlements</b></p> <ul style="list-style-type: none"> <li>institutions block access to: <ul style="list-style-type: none"> <li>natural capital (water, forests, land etc.)</li> <li>physical capital (animals, implements, equipment, infrastructure)</li> <li>human capital (health, education)</li> </ul> </li> </ul>	



<b>Policy action:</b> <ul style="list-style-type: none"> <li>typical entry points</li> </ul>	<b>Causes:</b>	<b>Outcomes:</b> <p><b>Capabilities to be built</b></p> <ul style="list-style-type: none"> <li>typical indicators</li> </ul>
<p><b>Promoting sustainable livelihoods</b></p> <ul style="list-style-type: none"> <li>bottom-up policy design</li> <li>farmer-based research and extension</li> <li>implementing an environmental action plan</li> <li>good governance of commons and local services</li> <li>active monitoring and protection of common property resources</li> </ul> <p><b>Human security: preventing and managing shocks and violence</b></p> <ul style="list-style-type: none"> <li>support for peace building and reconstruction</li> <li>support for state security sector reforms under democratic governance</li> <li>promoting social coherence through civil society development and multicultural tolerance</li> <li>building assets that provide security against disasters and economic shocks</li> <li>safeguarding functioning social protection systems</li> <li>community-level work to identify the socially excluded and invisible</li> </ul>	<ul style="list-style-type: none"> <li>social capital (benefits of association)</li> <li>financial capital (savings, credit)</li> <li>common-pool resources encroached upon or mined</li> </ul> <p><b>Social exclusion</b></p> <ul style="list-style-type: none"> <li>those excluded experience cumulative limitations to access</li> <li>erosion or non-existence of mechanisms to maintain minimal social functioning by poorest (aged widows, the disabled)</li> <li>distance and social bias silences voices of poorest</li> <li>economic poverty forces poorest into livelihoods incompatible with social dignity</li> <li>patriarchal cultural and legal patterns</li> <li>alcoholism, domestic violence</li> </ul> <p><b>Shocks and conflicts:</b></p> <ul style="list-style-type: none"> <li>expulsion/displacement of populations due to war</li> <li>intra-state conflict</li> <li>natural disasters</li> <li>economic shocks</li> <li>state collapse/social disintegration</li> </ul>	<p><b>Social capabilities</b></p> <ul style="list-style-type: none"> <li>analysis of local well-being rankings (participatory poverty assessments)</li> <li>ethnographic observation of social interaction patterns</li> </ul> <p><b>Protective capabilities: security, reduced vulnerability</b></p> <ul style="list-style-type: none"> <li>population movements</li> <li>sentinel site reports</li> <li>self-assessed well-being (participatory poverty assessments)</li> </ul>

#### ***Annex A-4: Oxfam International's Agenda for Poverty Reduction***

Oxfam International is an international non-governmental organization (NGO) which has worked for many years on behalf of the world's poor. It is selected here to "represent" alternative views on poverty reduction because in addition to field projects, it maintains a policy change advocacy office. This group publishes strategy papers on poverty reduction and lobbies policy-makers in the U.S. Congress and Administration and international institutions such as the World Bank, the International Monetary Fund, and the United Nations on behalf of development policies that reflect the needs and priorities of people in developing countries.

In its "Growth with Equity" strategy, Oxfam recognizes that economic success has been accompanied by a silent revolution in poverty reduction, as more people have moved out of poverty more quickly over the past three decades than at any time in history (Oxfam 1997). It argues that policies which are good for equity are good for growth *and* therefore good for converting growth into poverty reduction. The organization's strategy proposes:

- reorientation of education and health services toward primary needs;
- reallocation of national and international funding resources to support above;
- labor-intensive growth and higher wages through increased productivity;
- international financial architecture reforms to protect countries from debt and capital market speculations; and
- renewed attention to increasing the productivity of smallholders as part of rural development strategies.

Specific Oxfam recommendations are detailed in Table 4.

Although Oxfam's advocacy posture tends to be "politely critical" compared with many of the more radicalized anti-globalization, anti-growth civil society groups that have emerged recently to protest against the World Trade Organization and international financial institutions (IFIs), Oxfam's voice has recently become more impatient (Oxfam 2000a; Oxfam 2000b). Briefing notes stress that progress in moving debt relief under the Enhanced HIPC initiative has been slow. In addition, they raise concerns that despite the IFIs' claims to be placing poverty reduction front and center in their work with the poorest countries, recent Fund and Bank activities do not seem to have integrated poverty appraisals into their country programming strategies. Most importantly, the limited amount of debt relief presently being approved leaves poor countries with debt overhangs that still exceed their spending on social services. Finally, the time pressure to develop interim PRSPs in order to enter into HIPC is compromising their participatory nature and the quality of their insights.



**Table 4: Oxfam International's "Growth with Equity" Agenda**

Three-pronged Strategy	Specific Recommendations
Public investment to create opportunities for health and education, with a focus on the provision of free and high quality basic services accessible to the poor	<p><i>Social policy recommendations:</i></p> <ul style="list-style-type: none"> <li>• Development of public health systems which are accessible to the poor, free at the point of entry, and provide a comprehensive range of basic services</li> <li>• Attainment in all countries of free primary education with the objective of universal enrollment for primary education by 2005</li> <li>• Phasing out of cost-recovery for basic health and education within five years</li> </ul> <p><i>Funding recommendations</i></p> <p><i>At national level</i></p> <ul style="list-style-type: none"> <li>• Governments in low income countries should spend no more than 2 percent of national income on military budgets.</li> <li>• At least 5 percent of national income should be allocated to education, with 90 percent of the education budget allocated to primary and basic secondary education.</li> <li>• A shift in health sector spending priorities from the tertiary sector and curative provision and towards primary level services and preventative provision.</li> </ul> <p><i>At international level</i></p> <ul style="list-style-type: none"> <li>• Mobilization of resources for basic services (including health, education, water supply) through the HIPC debt initiative</li> <li>• Mobilization of new resources for primary education through a re-allocation of aid budgets toward the primary sector</li> <li>• More effective protection of priority social sector budgets under structural adjustment</li> </ul>
Industrial development strategies that maximize employment opportunities	<ul style="list-style-type: none"> <li>• Development of a multilateral investment code which recognizes the need to regulate investment in accordance with national development priorities</li> <li>• Small tax on international currency transfers to deter speculative currency trading and portfolio investment</li> <li>• Urgent development of a debt-relief framework for private capital market debt</li> </ul>
Pro-poor rural development policies, including agrarian reform and infrastructural support for small holders in production and marketing.	<ul style="list-style-type: none"> <li>• Agrarian reform, including land redistribution, to create egalitarian smallholder systems</li> <li>• Investment in marketing infrastructure and the development of rural credit and savings institutions</li> <li>• Protection of food systems from cheap imports to provide incentives for investment</li> <li>• World Trade Organization should adopt a food security clause, allowing governments to protect their food systems up to the point of self-sufficiency</li> </ul>

## ***Annex A-5: The United Kingdom's Plan for Eliminating World Poverty***

In 1997, the U.K.'s Department for International Development (DFID) published its first White Paper on International Development setting out its then-new approach to eliminating world poverty (U.K. DFID 1997). This paper was written in response to the global community's articulation of the International Development Goals. In her forward to the paper, Development Minister Clare Short writes:

It is our duty to care about other people, in particular those less well off than ourselves. We all have a moral duty to reach out to the poor and needy. But we also owe it to our children and our grandchildren to address these issues as a matter of urgency. If we do not do so there is a real danger that, by the middle of the next century, the world will simply not be sustainable. The combination of population growth, environmental degradation and the conflict and disease to which this will lead could impose catastrophic pressures upon the planet. (U.K. DFID 1997, p. 5)

The 1997 white paper sought a “new synthesis” between opposing views which either hold the State responsible for all market coordination or obliged to cede all economic growth and distribution responsibilities to an unfettered market. “Both States and markets make good servants and bad masters. We have learned that the virtuous State has a key role to play in supporting economic arrangements which encourage human development, stimulate enterprise and saving and create the environment necessary to mobilise domestic resources and to attract foreign investment.” (U.K. DFID 1997, p. 12) The State, DFID held, must provide an incentives environment which encourages positive per capita economic growth by maintaining sound fiscal balance and low inflation and promoting more open and less regulated domestic and international commerce. This in turn increases incentives for local and foreign private investment, continuing the virtuous cycle.

In 2000, DFID translated its 1997 vision into a strategic plan for halving world poverty, in synch with the IDG (U.K. DFID 2000a). It also published a second White Paper, focusing on making globalization work for the poor (U.K. DFID 2000b). In the intervening three years, DFID observes the “unprecedented consensus” among international development organizations, leaders of developing countries, and the G-8/OECD in favor of the IDG agenda. The evolution of DFID's strategic challenges and its priorities for action are outlined in Table 5.

DFID's strategic planning today involves thematic, country/region, and institutional partnership aspects.<sup>26</sup> Thematic considerations include papers addressing:

- halving world poverty: economic growth, equity and security;
- better health for poor people;
- poverty elimination and the empowerment of women;
- realizing human rights for poor people;
- the challenge of universal primary education;
- addressing the water crisis;

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<sup>26</sup> Source: [http://www.dfid.gov.uk/public/what/spapers\\_frame.html](http://www.dfid.gov.uk/public/what/spapers_frame.html).

- making government work for poor people;
- poverty elimination and the environment; and
- meeting the challenge of urban poverty.

Produced in consultation with representatives of partner governments, civil society, and the private sector, DFID has produced country or regional strategy papers for every broad region of the world. Of the eight country case studies considered by this paper, U.K. strategy papers exist for Bolivia, Peru, Bangladesh, Indonesia, and Uganda.

The 1997 White Paper called for the formation of broad partnership for the elimination of poverty, and gave a higher priority for working with Multilateral Development Institutions (MDIs). Institutional Strategy Papers now exist which articulate plans for DFID cooperation with the World Bank, the European Investment Bank, UNIFEM, the United Nations, the International Red Cross, the European Community, the U.N. Office of the High Commissioner for Human Rights, the United Nations Agency for Cities and Human Settlements, the United Nations Office for the Co-ordination of Humanitarian Affairs, and the United Nations Relief and Works Agency for Palestinian Refugees in the Near East.

**Table 5: DFID's Strategy for Eliminating World Poverty**

Strategic Challenges	Priorities for Action
<b>Articulated in the 1997 White Paper on Eliminating Poverty (1997, p. 19):</b>	
1. Work to implement policies and actions which promote sustainable livelihoods	<ul style="list-style-type: none"> <li>• sound policies and pro-poor economic growth</li> <li>• the development of efficient and well-regulated markets</li> <li>• access of poor people to land, resources and markets</li> <li>• good governance and the realisation of human rights</li> <li>• the prevention and resolution of conflicts</li> <li>• the removal of gender discrimination</li> </ul>
2. Promote better education, health and opportunities for poor people	<ul style="list-style-type: none"> <li>• lower child and maternal mortality</li> <li>• basic health care for all, including reproductive services</li> <li>• effective universal primary education</li> <li>• literacy, access to information and life skills</li> <li>• safe drinking water and food security</li> <li>• emergency and humanitarian needs</li> </ul>
3. Improve protection and management of the natural and physical environment	<ul style="list-style-type: none"> <li>• sustainable management of physical and natural resources</li> <li>• efficient use of productive capacity</li> <li>• protection of the global environment</li> </ul>
<b>Articulated in the 2000 Strategic Plan on Halving World Poverty:</b>	
1. Growth is essential (2000a, pp. 16-19)	<ul style="list-style-type: none"> <li>• pursue pro-poor growth policies (2000a, p. 37)</li> <li>• make markets work better for the poor (2000a, pp. 37-38)</li> <li>• improve overall efficiency of resource use at country level for poverty reduction (2000a, p. 38)</li> </ul>
2. Globalization with equity (2000a, pp. 20-22) and low income inequality (2000a, pp. 22-25) make achieving the goal of halving world poverty easier	<ul style="list-style-type: none"> <li>• promote empowerment and accountability (2000a, pp. 38-39)</li> <li>• ensure that transfers and social protection reach the poor (2000a, p. 39)</li> <li>• create an international policy environment that maximizes opportunities for poor countries (2000a, p. 39)</li> <li>• increase resources for development and channel them to maximize poverty reduction (2000a, 40)</li> </ul>
3. Increase economic and physical security (2000a, pp. 25-27)	<ul style="list-style-type: none"> <li>• reduce the impact of shocks, including conflict, on poorest countries (2000a, pp. 40-41)</li> </ul>
<b>Articulated in the 2000 White Paper on Making Globalisation Work for the Poor (2000b, pp. 10-11)</b>	
1. Meet the challenge of globalization	<ul style="list-style-type: none"> <li>• work with others to manage globalisation so that poverty is systematically reduced and the International Development Targets achieved</li> <li>• promote economic growth that is equitable and environmentally sustainable</li> </ul>
2. Promote effective governments and efficient markets	<ul style="list-style-type: none"> <li>• help developing countries build the effective government systems needed to reform their economic management, make markets work for poor people, and meet the challenge of globalisation.</li> </ul>

	<ul style="list-style-type: none"> <li>• work to reduce corruption, and ensure respect for human rights and a greater voice for poor people</li> <li>• work with others to reduce violent conflict, including through tighter control over the arms trade</li> </ul>
3. Invest in people, sharing skills and knowledge	<ul style="list-style-type: none"> <li>• promote better health and education for poor people, and harness the new information and communications technologies to share skills and knowledge with developing countries</li> <li>• help focus more of the UK and global research effort on the needs of the poor, and make intellectual property regimes work better for poor people.</li> </ul>
4. Harness private finance	<ul style="list-style-type: none"> <li>• work with developing countries to put in place policies that will attract private financial flows and minimise the risk of capital flight</li> <li>• work to strengthen the global financial system to manage the risks associated with the scale, speed and volatility of global financial flows, including through use of 'road maps' to guide countries on opening of their capital accounts</li> <li>• encourage international co-operation on investment, competition and tax that promotes the interests of developing countries</li> <li>• encourage corporate social responsibility by national and transnational companies, and more investment by them in developing countries</li> </ul>
5. Capture gains from trade	<ul style="list-style-type: none"> <li>• support an open and rules-based international trading system, and work to promote equitable trade rules and an effective voice for developing countries</li> <li>• support continuing reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities</li> </ul>
6. Tackle global environmental problems	<ul style="list-style-type: none"> <li>• work to reduce the contribution made by developed countries to global environmental degradation</li> <li>• work with developing countries to ensure that their poverty reduction strategies reflect the need to manage environmental resources sustainably, and strengthen their capacity to participate in international negotiations</li> </ul>
7. Use development assistance more effectively	<ul style="list-style-type: none"> <li>• increase its development assistance to 0.33% as a proportion of GNP by 2003/04, and continue to make progress towards the 0.7% UN target</li> <li>• work to increase the proportion of global development assistance spent in poor countries, help to improve its effectiveness and to reduce the burdens placed on recipient countries, end UK tied aid and work for multilateral untying</li> <li>• introduce a new Development Bill to replace the outdated Overseas Development and Co-operation Act (1980), to consolidate our poverty focused approach to development</li> <li>• provide faster and more substantial debt relief for heavily indebted poor countries that are committed to poverty reduction</li> </ul>
8. Strengthen the international system	<ul style="list-style-type: none"> <li>• work with others to build a stronger, more open and accountable international system, in which poor people and countries have a more effective voice</li> </ul>

Sources: U.K. DFID 1997, U.K. DFID 2000a, U.K. DFID 2000b



## Annex B: USAID's Sustainable Development Approach

**Table 6: USAID's Economic Growth Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
1. Encourage broad-based economic growth and agricultural development	1.1 Expand and strengthen critical private markets	1.1.1 Improved policies, laws, and regulations governing markets 1.1.2 Strengthen institutions that reinforce and support competitive markets 1.1.3 Support infrastructure, including telecommunications 1.1.4 Transfer state-owned economic assets to the private sector 1.1.5 Improve training & technology transfer for private and regulatory sectors including information technologies	Average annual real per capita income growth above 1%  Reductions in share of population in poverty  Average annual growth in agriculture at least as high as population growth  Increased openness and greater reliance on private markets Diminished reliance on foreign aid in middle income countries
	1.2 Encourage more rapid and enhanced agricultural development and food security	1.2.1 Improve policies that provide incentives to farmers and other agricultural entrepreneurs 1.2.2 Strengthen public, private, national and international institutions that support agricultural production, agricultural enterprises & rural infrastructure 1.2.3 Accelerate development and transfer of improved agricultural technology 1.2.4 Improve labor and product market linkages between high and low potential agricultural areas	
	1.3 Expand and make access to economic opportunities more equitable for rural and urban poor	1.3.1 Expand access by microentrepreneurs, particularly women, to financial services from financially viable institutions 1.3.2 Increase access to appropriate non-/agricultural technologies with attention to gender-based constraints 1.3.3 Make legal & regulatory environments more supportive of microenterprises, improve small & medium businesses, and increase access to markets by women and other marginalized groups 1.3.4 Increase open access to information & availability of information technologies	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001

**Table 7: USAID's Democracy Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
2. Strengthen democracy & good governance	2.1 Strengthen rule of law and respect for women's and men's human rights	2.1.1 Create legal protections for human rights & gender equity which conform to international commitments 2.1.2 Establish judicial, legal, & regulatory frameworks which support democratic institutions, as well as market-based economies 2.1.3 Promote effective and fair justice sector institutions, including judiciary, prosecution, and civilian police forces 2.1.4 Increase equitable access to justice and the skills and knowledge necessary to apply it 2.1.5 Strengthen enforcement of laws on behalf of women and other disadvantaged groups	Improvement in overall freedom  Strengthened rule of law and respect for human rights of women as well as men  Credible and competitive political processes encouraged  Promotion of development of politically active civil society  Encouragement of more transparent and accountable government institutions
	2.2 Encourage credible and competitive political process	2.2.1 Establish impartial and open electoral laws and regulations 2.2.2 Create more impartial and effective electoral administration 2.2.3 Encourage more informed citizenry 2.2.4 Establish effective local election monitoring groups 2.2.5 Promote more representative and competitive multiparty political systems 2.2.6 Increase inclusion of women and disadvantaged groups 2.2.7 Establish procedures for peaceful and effective transition of power 2.2.8 Establish information sharing systems and other info technologies	
	2.3 Promote development of politically active civil society	2.3.1 Encourage adoption of legal frameworks which protect and promote civil society organizations 2.3.2 Increase women's and men's participation in the policy process and create oversight mechanisms for public institutions 2.3.3 Increase institutional and financial viability of civil organizations, particularly independent labor unions, human rights groups, and policy advocacy organizations 2.3.4 Enhance the free flow of information, including responsible, effective and independent media and effective communication systems 2.3.5 Strengthen democratic political culture	

	2.4 Encourage more transparent and accountable government institutions	2.4.1 Increase governmental responsiveness to women and men at local level 2.4.2 Improve gov'tal info and info technology and systems available to men and women 2.4.3 Strengthen ethical standards in govt 2.4.4 Strengthen effectiveness and independence of legislatures 2.4.5 Increase civilian authority over military 2.4.6 Enhance executive branch policy processes	
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Sources: USAID, *1999 Agency Performance Report*; USAID, *Strategic Plan 1997 (Revised 2000)*; USAID, *Annual Performance Plan for Fiscal Year 2001*

**Table 8: USAID's Human Capacity Development Framework**

Goal	Objectives	Program Approaches	Performance Goals
3. Build human capacity through education and training	3.1 Expand access to quality basic education, especially for girls and women	<ul style="list-style-type: none"> <li>• Increase policies &amp; institutions which promote universal access to primary education</li> <li>• Improve learning environments, through teacher training, better instructional materials, media, and methods</li> <li>• Support expanded and improved distance education, community learning centers, communication technology</li> <li>• Increase community participation in educational policy and school mgmt</li> <li>• Improve educational opportunities for girls</li> <li>• Improve opportunities for underserved populations, rural populations, and other disadvantaged children</li> <li>• Improve cost effective adult literacy and early childhood development programs as complements to formal school systems</li> </ul>	<p>National primary enrollment ratios increase to attain full primary enrollment by 2015</p> <p>Difference between girls' and boys' enrollment ratios virtually eliminated</p>
	3.2 Increase contribution of higher education institutions to sustainable development	<ul style="list-style-type: none"> <li>• Establish policies, programs, practices which encourage higher education institutions to address development needs and problems</li> <li>• Create linkages among institutions of higher education in developing &amp; transitional countries and the int'l community of science, knowledge, and scholarship</li> <li>• Encourage approaches which make secondary, technical, and higher education financially viable including market-driven, public/private partnerships for workforce development</li> <li>• Promote policies which make higher education accessible &amp; affordable</li> </ul>	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001

**Table 9: USAID's Population, Health, and Nutrition Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
4. Stabilize world population and protect human health	4.1 Reduce unintended and mistimed pregnancies	4.1.1 Increase access to/demand for voluntary family planning services 4.1.2 Improve quality, availability, acceptability, sustainability of these services 4.1.3 Improve positive policy environment for the provision of voluntary family planning and related reproductive health services 4.1.4 Enhance long-term capacity of local institutions to design, finance, implement, and evaluate programs 4.1.5 Achieve continued development and improvement of contraceptive techn'y	Total fertility rate reduced by 20% 1998-2007  Maternal mortality ratio reduced by 10% 1998-2007  HIV infections reduced by 10% among 15-24 year olds 1998-2007  Deaths from infectious diseases of major public health importance reduced 1998-2007
	4.2 Improve infant/child health and reduce infant/child mortality	4.2.1 Expand access to and use of key child health interventions which prevent/control the five primary childhood killers 4.2.2 Improve quality & sustainability of key child survival (CS) interventions 4.2.3 Address child nutrition & improve nutritional & micro-nutrient status 4.2.4 Develop, test, and replicate priority environmental health interventions to prevent the spread of childhood diseases 4.2.5 Strengthen capacity of local institutions to provide quality CS interventions 4.2.6 Promote enabling environment including sound health systems for the delivery of key CS interventions 4.2.7 Expand research on key topics on CS including new vaccines, simple technologies, new service delivery approaches	

	4.3 Reduce deaths, nutrition insecurity, and adverse health outcomes to women as a result of pregnancy	4.3.1 Enhance early detection & management of serious obstetric complications and complications of unsafe abortions 4.3.2 Increase safe delivery by trained personnel and improve access to/ quality of basic prenatal & postpartum care 4.3.3 Increase community, family, and individual planning and support for health/nutrition needs of pregnant women 4.3.4 Expand use and quality of family planning services 4.3.5 Improve women's nutrition and techniques to prevent, detect, treat sexually transmitted infections 4.3.6 Improve techniques to prevent, detect, treat sexually transmitted and other infectious diseases	
	4.4 Reduce HIV transmission and impact of the HIV/AIDS pandemic in developing countries	4.4.1 Increase quality, availability, and demand for information/services to change sexual risk behaviors and cultural norms to reduce HIV transmission 4.4.2 Develop, test, and promote HIV/AIDS prevention and care interventions 4.4.3 Enhance quality, availability, and demand for STI management & prevention services 4.4.4 Increase NGO, community, public, and private sector organizations to prevent HIV transmission and support persons with HIV/AIDS, their caregivers, families, and survivors 4.4.5 Improve quality, availability, and use of evaluation and surveillance information	
	4.5 Reduce threat of infectious diseases of major public health importance	4.5.1 Reduce antimicrobial resistance 4.5.2 Improve tuberculosis prevention, control, and treatment 4.5.3 Improve malaria prevention, control, and treatment 4.5.4 Improve local capacity for surveillance and response	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001

**Table 10: USAID's Environment Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
5. Protect the world's environment for long-term sustainability	5.1 Reduce threat of global climate change	5.1.1 Decrease greenhouse gas emissions 5.1.2 Slow rates of deforestation and increase rates of afforestation 5.1.3 Assist adaptation to climate change	Protect world's environment for long-term sustainability  Improve conservation of biologically significant habitats
	5.2 Conserve biological diversity	5.2.1 Improve management of biologically significant areas 5.2.2 Promote sustainable use of biological resources 5.2.3 Support conservation of genetic material	Reduce threat of global climate change  Increase urban population's access to adequate environmental services  Increase use of environmentally sound energy
	5.3 Promote sustainable urbanization, including pollution management	5.3.1 Increase access to water and sanitation services 5.3.2 Improve urban management 5.3.3 Improve pollution prevention and control	Increase sustainable management of natural resources
	5.4 Increase use of environmentally sound energy practices	5.4.1 Increase provision of energy services by the private sector 5.4.2 Achieve higher levels of energy efficiency 5.4.3 Increase use of renewable energy 5.4.4 Increase use of clean technologies	
	5.5 Increase sustainable management of natural resources	5.5.1 Improve management of forests, water resources, and coastal zones 5.5.2 Increase use of sustainable agricultural practices 5.5.3 Enhance public and community level of awareness of natural resource sustainability issues and remedies	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001

**Table 11: USAID's Humanitarian Assistance Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
6. Save lives, reduce suffering, and reestablish conditions for political and/or economic development	6.1 Reduce potential impact of crises	<ul style="list-style-type: none"> <li>• Identify populations vulnerable to disasters and potential impacts of disasters</li> <li>• Increase cost effective targeting of vulnerable populations that need food and other necessities</li> <li>• Strengthen human capacity of institutions to conduct preventive diplomacy, conflict resolution, early warning, disaster preparedness and mitigation, and relief</li> <li>• Coordinate info and responses with other donor governments, regional and international organizations and private sector groups including PVOs, NGOs</li> <li>• Conduct research into new technologies, techniques, and practices conducted to save lives in crisis situations incl those associated with info communication systems</li> </ul>	<p>Improve conditions for social &amp; economic development in post-conflict transition countries</p> <p>Increase political rights and civil liberties in post-conflict transition countries</p> <p>Improve crude mortality rate of vulnerable populations, in specific emergency situations, over a period of time</p> <p>Stabilize at or reduce levels of acute malnutrition to acceptable levels in specific emergency situations</p>
	6.2 Meet urgent needs in times of crisis	<ul style="list-style-type: none"> <li>• Provide timely and effective emergency relief to meet critical needs of targeted groups, including women and children</li> <li>• Enhance short-term food security</li> <li>• Integrate U.S. emergency activities with other donors &amp; relief organizations</li> </ul>	
	6.3 Reestablish personal security and basic institutions to meet critical intermediate needs and protect human rights	<ul style="list-style-type: none"> <li>• Enhance local security</li> <li>• Strengthen local governance and institutions that promote reconciliation and reduce tensions, making full use of women's capacities</li> <li>• Rehabilitate critical social and physical infrastructure, e.g., roads, clinics, irrigation systems, schools</li> <li>• Structure development, relief activities to maximize cooperation between different social groups in a country</li> <li>• Evolve appropriate integrated sustainable development programs evolved from relief activities</li> </ul>	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001



**Table 12: USAID's Management Strategic Framework**

Goal	Objectives	Program Approaches	Performance Goals
7. Keep USAID a premier development agency	7.1 Develop responsive assistance mechanisms	<ul style="list-style-type: none"> <li>• Continue emphasis on effective field presence</li> <li>• Enhance strategic partnering with U.S. based and local non-governmental organizations</li> <li>• Strengthen coordination with donor nations, international agencies and assisted countries, and consensus on development priorities and goals</li> </ul>	<p>Enhance leadership and learning capacity to achieve results</p> <p>Improve management and delivery of development assistance and other resources</p>
	7.2 Improve program effectiveness	<ul style="list-style-type: none"> <li>• Increase focus on USAID's customers and develop customer service plans by operating units</li> <li>• Continue investment in applied research on development issues in each of USAID's goal areas</li> <li>• State performance goals more precisely, improve annual monitoring of performance results against goals, and renew commitment to using evaluations to identify "best practices" and to sharing these within USAID and among development partners</li> </ul>	
	7.3 Assure U.S. commitment to sustainable development	<ul style="list-style-type: none"> <li>• Continue collaboration with other U.S. foreign affairs agencies in the definition of U.S. national interests and strategic goals</li> <li>• Continue implementation of country, regional, and global programs supporting U.S. national interests and strategic goals</li> <li>• Document sustainable development results</li> </ul>	
	7.4 Expand technical and managerial capacities of USAID	<ul style="list-style-type: none"> <li>• Strengthen human capacity to diagnose, prescribe, coordinate, and lead development efforts</li> <li>• Improve workforce planning</li> <li>• Enhance results reporting and financial management systems</li> <li>• Implement the New Management System fully</li> </ul>	

Sources: USAID, 1999 Agency Performance Report; USAID, Strategic Plan 1997 (Revised 2000); USAID, Annual Performance Plan for Fiscal Year 2001